The Magazine for Indiana Entrepreneurs and High-Growth Companies

Biz

Spring 2008 • Volume 3

Marketing Strategies
For A New Economy

Managing Health Care Costs

Early Stage Financing: Myths And Mysteries

MENTORING GODFATHER

Inside The Mentor/Protégé Relationship



A publication of the Indiana Economic Development Corporation

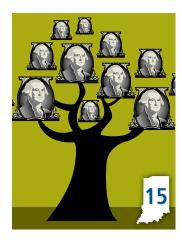
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LESSONS FROM INDIANA'S MENTORING GODFATHER: INSIDE THE MENTOR/PROTÉGÉ RELATIONSHIP

Four successful Indiana entrepreneurs gathered recently to relate their personal experiences with renowned mentor Dr. William L. Haeberle, who has taught Indiana entrepreneurs and business leaders for more than 60 years.

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WELCOME

As Indiana's economy continues to transition, it is ever more important that state government, educational, business and community leaders focus on nurturing and supporting our homegrown entrepreneurs and small business owners – those enterprising Hoosiers who are essential for our state's future prosperity and job growth.

Indiana is becoming more and more attractive as a place to start and grow a business. Indiana has the lowest cost of doing business in the Midwest and fourth lowest in the country, according to Forbes magazine. The Tax Foundation notes that Indiana has the lowest overall tax burden in the Midwest and 12th lowest nationally. Indiana also ranked first in the Midwest and third in the nation in Site Selection magazine's Competitiveness Award, which ranks states' effectiveness in attracting new jobs and capital investment.

Under the leadership of Governor Mitch Daniels, the Indiana Economic Development Corporation (IEDC) is working hard to address one of the most crucial issues faced by Hoosier entrepreneurs: finding early-stage financing.

Indiana's 21st Century Research and Technology Fund, better known as the 21 Fund, is one of the most important and critical sources of early-stage capital for emerging high-potential Indiana companies. Managed by the IEDC, the 21 Fund provides grants to entrepreneurial companies that are developing market-changing technologies that have the potential to create high-wage, high-skill Indiana jobs of the future.

Since January 2006, the 21 Fund has committed \$66 million to 51 entrepreneurial



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ventures that have exciting innovations and considerable commercial potential. The most recent projections forecast that these 21 Fund recipient companies could create 5,000 to 6,000 new, highly compensated jobs in the next five years.

Indiana also continues to help emerging technology-driven companies capitalize on federal funding opportunities through the Federal Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs. Grants from these programs can help small companies transform new technologies into commercial ventures, leading to new jobs in Indiana. In 2007 alone, 47 innovative SBIR/STTR grant recipients received \$4.2 million in matching funds from the 21 Fund.

The IEDC also has created one of only two SBIR/STTR Phase II grant programs in the nation and has made awards totaling approximately \$1 million to three emerging Indiana companies.

Indiana's Venture Capital Investment tax credit also provides a significant boost to early stage investors in high-potential start-up companies by providing a 20 percent state tax credit to financial investors. In 2007, 61 Indiana companies - the most ever since the program began - were approved to use the tax credit to raise \$101.5 million in private capital.

We hope INBiz magazine is a valuable resource, that you join the growing list of entrepreneurs, and choose Indiana for your next business venture. We will do everything we can to help you succeed. Please contact the Indiana Economic Development Corporation for more information or assistance at www.AccelerateIndiana.com.



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Which Indiana Companies are worth watching in 2008?

The Indiana Economic Development Corporation, its Indiana Small Business Development Centers, and Purdue University, in association with the Edward Lowe Foundation, is now accepting applications for the inaugural 2008 Indiana Companies to Watch Awards program, sponsored in part by Key Bank.

This exciting awards program will honor up to 50 of Indiana's most promising home-grown companies. Eligible companies must demonstrate high performance in the marketplace or exhibit innovative products. The program will recognize high performance businesses from a variety of industries representing all regions of the state.

Recognized companies will have an astounding impact on Indiana's economy, collectively providing hundreds, if not thousands, of jobs and generating millions of dollars of revenue. These companies will be honored at an August 28 banquet in Indianapolis.

Applications must be submitted on-line. Applications are open until May 2nd.

For more information, company eligibility requirements, or to nominate a company or apply, visit http://indiana.companiestowatch.org, e-mail IndianaCTW@lowe.org, or call 888.472.3244.

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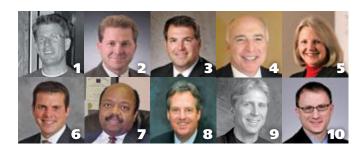


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Baggott is co-founder and CEO of Compendium Blogware, a company that focuses on organizational blogging and search engine optimization. Baggott has been a leader in database marketing for more than 20 years. He was recognized by BtoB Magazine as a "Who's Who in B-to-B" and his blog was voted "Best Online Marketing Blog" by MarketingSherpa readers and "Best of the Web" by Forbes. A marketing futurist and voice for blogging, search engine optimization and e-mail best practices, Baggott has been quoted in such publications as Forbes Inc., AdWeek, 1to1, CRM, Direct, DM News, Dow Jones Online Retail Report and MarketingSherpa. He makes more than 50 appearances a year, speaking on best practices in database and e-mail marketing at such venues as the Harvard Business School Entrepreneurship Conference, Ad:Tech, American Advertising Federation, American Marketing Association, Business Marketing Association, Dreamforce, eMarketing Association, and the National Center for Database Marketing. Baggott was the co-founder of ExactTarget and also is author of "E-mail Marketing by the Numbers."

> 2. Kent Burns Owner, Simply Driven LLC

Burns owns Simply Driven LLC and has interests in several other successful businesses. He is also a professional speaker and author of "What's Your Why?" (AuthorHouse, 2006). He spent eight and one-half years as a partner and top producer with MRINetwork, the world's largest staffing firm. In 2003, Burns was the top-producing individual account executive for that company, outperforming approximately 3,500 recruiters worldwide. He has been featured in publications such as Forbes, CFO Magazine, HR Magazine, The Journal of Accountancy, The Boston Globe, Reuters, The Houston Chronicle, the Indianapolis Business Journal and the St. Louis Post-Dispatch. His columns appear on a weekly and monthly basis in multiple publications. A business owner, author, speaker and top performing sales executive, Burns' combination of experiences is quite unique, making him one of the country's leading human capital sourcing consultants. His clients include a wide range of public and private organizations, and his contacts include many of the top professionals in the Fortune 1000. SEE PAGE 33.

> 3. Jeff Heinzmann Director, Indiana Small Business Development Center

Heinzmann is director of the Indiana Small Business Development Center, a cooperative effort funded in part through an agreement with the U.S. Small Business Administration, the Indiana Economic Development Corporation, and the private sector. As state director, he is charged with oversight of Indiana's 11 regional Small Business Development Centers (SBDC), hosted by various educational and economic development enterprises. Indiana's SBDCs are designed to assist and encourage growth and development of Indiana-based small businesses and start-up companies. A graduate of Northwestern University and the Indiana University School of Law, Heinzmann has spent 14 years as an attorney serving small businesses and government. SEE PAGE 46.

> 4. Michael S. Maurer Chairman, The National Bank of Indianapolis

Maurer's career as an attorney and entrepreneur has included cable television, film production, radio broadcasting, newspaper publishing and banking. An Indianapolis native, Maurer graduated from the University of Colorado with a B.S. in accounting. He received a Doctor of Jurisprudence in 1967 from Indiana University School of Law where he was a writer and an editor of the Law Journal. He successfully completed the CPA examination. In 1990 he produced the feature film, 'Diving In," which enjoyed a national release including HBO and Cinemax. He serves as chairman of the board of IBJ Media, which owns and publishes Indianapolis Business Journal, Court and Commercial Record, and The Indiana Lawyer. Maurer serves as chairman of the board of directors of The National Bank of Indianapolis, a financial institution he founded in 1993. In 2001, he established "Mickey's Camp," a charitable endeavor that has raised almost a million dollars for central Indiana charities. In 2005, he was named president of the Indiana Economic Development Corporation, and in 2006 was named Indiana Secretary of Commerce by Governor Mitch Daniels. Maurer enjoys leadership through active participation as a director of numerous businesses, civic, educational and philanthropic organizations. He is a regularly published contributor to The New York Times crossword puzzle. His woodworking won a blue ribbon at the Indiana State Fair. In 1999, he successfully summitted Mount Kilimanjaro, the highest peak in Africa. In 2003, he authored a book of his underwater photography entitled "Water Colors." He is married to Janie Maurer, and they have three children and seven grandchildren. SEE PAGE 7.

> 5. Julie A. Meek Founder & Former CEO, The Haelan™ Group

Meek, DNS, was founder and former CEO of The Haelan™ Group that was purchased in December 2007 by CareGuide, a publicly-traded health management company. The Haelan Group was the first entrant and successful graduate of the Indiana University Emerging Technology Center, bringing 60 new jobs to central Indiana and winning numerous awards for growth, innovation and entrepreneurial spirit. Under her tenure, The Haelan Group achieved best-in-class health care

cost control for their employer clients and significantly changed the health management industry by introducing powerful predictive modeling and coaching methods to the spectrum of health management services. Meek continues to provide consulting services to CareGuide and other clients nationwide, contributing her expertise in population health management, outcomes measurement, health-related portal development and behavioral science. She is adjunct assistant professor at the Indiana University School of Nursing and sits on the dean's advisory boards for the schools of Nursing and Informatics. Meek speaks and publishes nationally on the topics of entrepreneurship, health management and predictive modeling. SEE PAGE 44.

> 6. Bill Oesterle Founder & CEO, Angie's List

Oesterle is one of the founders of Angie's List and has served as a member of the company's board of managers since its inception in June of 1995. He joined as chief executive officer of Angie's List on January 1, 1999. Prior to joining Angie's List, Oesterle had been a partner with CID Equity Partners, a Midwest-based venture capital firm. He was recognized as an Indiana Governor's Fellowship Finalist in 1987 and served as administrative assistant to Governor Robert Orr of Indiana with responsibility for international trade and relations. In 1988, Oesterle was appointed director of corporate affairs for the Hudson Institute, a public policy research institute located in Indianapolis. He currently serves on the board of directors of CSC, Purdue University, the National Bank of Indianapolis and Young Isaac Inc. In addition, he founded and currently serves on the board of directors of the Governor Robert Orr Fellowship Program, which provides two-year fellowships to graduates of Indiana colleges and universities or Indiana residents. Oesterle graduated from Purdue University in 1987 with an honors degree in Economics and earned an MBA from Harvard Business School in 1992, SEE PAGE 15

> 7. Wayne Patrick Partner, Professional Data Dimensions

Patrick is a partner with Professional Data Dimensions. He is a graduate of Rose Hulman Institute of Technology with a degree in Electrical Engineering and earned an MBA from Butler University. Professional Data Dimensions is an information technology firm that provides staffing, application development, network and desktop support, testing and validation, documentation and training, and consulting services. Started in 1987, Professional Data Dimensions has more than 20 years of operational experience behind it. Patrick received the Sagamore of the Wabash in 1992. He was a presidential delegate to the White House Conference on Small Business in 1995. Also in 1995, he received the SBA Directors Award. In 1999, he received the CLD Directors Award and the LINKS Entrepreneur Award. In 2000 he was a finalist for the Ernst & Young Entrepreneur of the Year award. He has been very active and involved in the Indianapolis community throughout his career and currently serves on the boards of the following organizations: Executive Committee, Greater Indianapolis Chamber of Commerce; Indiana Chamber of Commerce; Independent Colleges of Indiana; and, the Indianapolis Historic Preservation Commission. SEE PAGE 22.

> 8. Steven F. Walker President & CEO, Walker Information

Walker was named president of Walker Information in 1994 and added the CEO title in 1996. He is the third generation of Walkers to lead the privately held firm, founded by his grandmother in 1939. Today, Walker Information is a research and consulting firm focused on creating shareholder value for its clients through customer loyalty and other customer strategies. The firm is uniquely and totally focused on a comprehensive approach to putting the customer at the center of a client's strategy using proprietary research methods, technology tools, and experienced professionals who have dedicated their career to understanding how customer relationships impact business results. Walker is active on a number of boards and community activities including AAA Hoosier Motor Club, the U.S. Chamber of Commerce, the Indiana Chamber of Commerce, the Greater Indianapolis Chamber of Commerce, and the 500 Festival. He is the past chairman of the boards of the Better Business Bureau of Central Indiana, the Indiana chapter of Young Presidents Organization, and the American Teleservices Association. Steve is a frequent speaker at conferences and, along with his long-time colleague, Jeff Marr, published his first book, "Stakeholder Power," in 2001. SEE PAGE 39.

> 9. Scott Webber Chairman & CEO, Volatus Advisors LLC

In his 30 years in the technology industry, Webber has successfully guided companies from inception to maturity. Currently, Webber serves as the Chairman and CEO of Volatus Advisors, an investment and advisory vehicle for young companies, such as Performance Assessment Network and Autobase. Previously, Webber served as chief executive of Corepoint Technologies, a global IBM software company, where he increased flat revenues by 60 percent in a period of eight months. As president and CEO of Software Artistry Inc., he led the Indiana company to the first successful software IPO in the state, and later to an acquisition by Tivoli Systems, an IBM company. Webber also spent 10 years at Pansophic Systems Inc., a software company that grew from a \$30 million privately held company to a \$230 million publicly traded company during his tenure. He currently serves or has served on the boards of Volatus Advisors, Volatus Technology Group, Ontario Systems, Autobase, Installshield, Nisys, eSkye, the Central Indiana Technology Partnership, the Indianapolis Economic Development Corporation, and the Central Indiana Corporate Partnership. He holds a B.A. degree from Carleton University, Ottawa, Canada and a Master's of Management from Northwestern University. SEE PAGE 12.

> 10. Christopher D. Woolard Sr. Consultant, Walker Information

Woolard is a senior consultant at Walker Information. As Walker Information's leading employee loyalty specialist, Woolard works with small- to medium-sized companies on their employee and customer assessment programs. As the manager of program-related activities, his involvement focuses on everything from the exploratory research to finalization of all program deliverables, and meeting other unique client needs. SEE PAGE 39.

ENTREPRENEURSHIP PRINCIPLES



Essential Principles Of Entrepreneurship That I Did Not Learn In School

by MICHAEL S. MAURER Chairman, The National Bank of Indianapolis

MY BUSINESS LIFE is characterized generally by start-ups and turn-arounds. These activities have given me experience - the kind of experience that you gain when you make mistakes. From these mistakes, I have developed 10 essential principles to help me succeed in the exciting world of entrepreneurship. I did not learn any of these principles in school. I'll discuss just three of them in this article.

I call the first essential principle the Q factor. Q refers to quality of life. In assessing every major business decision, one should ask how the decision will impact his or her quality of life. In other words, when determining whether to take a new job one might ask: Does this job require me to be up all night? To be out of town most of the week?

"There is more to entrepreneurship than the money that is earned."

To work during the dinner hour? To be in a business that I find distasteful? To deal with customers I don't respect? To take long periods away from family? To live in a city in which I do not wish to live? The

ENTREPRENEURSHIP PRINCIPLES

Q factor presents an opportunity for subjective criteria. Everyone may measure a quality of life standard in a different way, but it should be taken into consideration. You may make the decision to proceed in spite of an adverse affect on the quality of life, but at least you have considered the Q factor.

One of my mentors, Gene Glick, likes to say "a fat dog won't hunt." This is Gene's way of saying that as you become older and more successful, your Q factor changes. When applying the Q factor as part of the screening process, I invariably reject opportunities for businesses located outside the state of Indiana. Driving down Meridian Street every day suits me just fine - I guess I'm the fat dog Glick was referring to.

My second principle is industry analysis. One day years ago, I became enamored with the new sport of racquetball. I had played handball in law school but racquetball was much easier to learn. You do not have to use your off hand. Your hands do not get bruised and it is a game that lends itself to coed play. Unlike tennis, where errant shots need to be run down, racquetball mistakes roll back to you and you can begin again.

In order to reserve court time at the YMCA or the JCC (two of the few places with racquetball facilities), I had to wake up at 6 a.m. and be one of the lucky first callers. Out of frustration more than anything else, partners and I developed the first racquetball facility in the city of Indianapolis - Racquetball West on High School Road. It was a big success, so we followed that up with two more racquetball clubs in the city. We then built additional racquetball clubs throughout the country. In fact, we had the second largest chain stretching from Buffalo, N.Y., to Houston, Texas.

"Complicated, convoluted schemes are much more difficult to administer and much more difficult to sell to important constituencies."

This proved to be a mistake. We failed to analyze the vulnerability to competition in the racquetball industry. Originally, we were the second racquetball club in all of Houston, a city of 7 million people. Within one year, there were three racquetball clubs within a mile. In Buffalo, we built a racquetball club at the major mall and enjoyed a wonderful but short-lived profit until a bankrupt tennis club approximately one mile from our site was converted into racquetball courts.

In addition to the increased competition, it became apparent that racquetball was a fad for many folks who tried the sport. Remember the hula-hoop? I recall a headline in The New York Times that said, "San Diego - Hot Bed for Racquetball but Shake-out Looms." I thought to myself, "I'm going to get shaken out if I don't unload these in a hurry."

We sold our racquetball clubs as quickly as we could. In fact, I spent so much time trying to extricate us from these investments that I no longer had time to play racquetball.



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We had failed to analyze the racquetball industry. It was an easy entry business. It was not difficult to construct a racquetball club, but racquetball suffered from a diminishing customer base. In summary, what I learned from my racquetball experience is that not only do you need to evaluate the business but you need to also look at the industry in which that business will function. The industry could be examined from many points of view, including ease of entry and exit, competition, and where the industry is in its growth curve. You can choose additional criteria but be sure and analyze the industry that you are about to enter.

Based upon the lessons learned in racquetball, I have avoided those industries where an advantage can easily be competed away. I have invested in difficult entry industries like broadcasting, journalism, cable television and banking.

"In assessing every major business decision, one should ask how the decision will impact his or her quality

My third essential principle is to keep it simple. A generation ago there was a famous comedian named Groucho Marx. His comedic genius laid the groundwork for many of the comedians we know today. He was asked for advice on how he was able to achieve such fantastic success as a comedian, and he replied, "Memorize your lines, don't bump into the furniture, and don't leave your wallet in the dressing room." Pretty simple.

Complicated, convoluted schemes are much more difficult to administer and much more difficult to sell to important constituencies. As a rule of thumb, your basic deal memorandum should be limited to one page. If you find yourself going on and on, you probably have created a situation that is too complex. You should be able to describe your basic plan in just a minute or two. Of course, over-simplification is not good either. Note the experience of a lady who was wandering through the cemetery one day when she came across the tombstone of her best friend. She was standing at the tombstone in utter shock and disbelief when she heard a voice and turned around. There stood her best friend. When pressed for an explanation, her best friend said, "My husband always put everything in my name."

The Q factor, industry analysis and keeping it simple are three essential principles of entrepreneurship that I did not learn in school - I learned them from mistakes I have made. I learned something else: There is more to entrepreneurship than the money that is earned. Entrepreneurship is a grand game and money is simply a means of keeping score. The essence of entrepreneurialism is the joy of the game.



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"The new tools for marketers are, of course, tied to the Internet and are based on search and e-mail."



MARKETING STRATEGIES FOR A NEW ECONOMY

by CHRIS BAGGOTT CEO, Compendium Blogware

I'M NOT EXACTLY sure what "new economy" means, but I absolutely understand that marketing strategies have changed dramatically over the past five years. What's great is that these strategies have changed to favor the entrepreneur and small business.

It's probably best to spend a moment on what hasn't changed in marketing: the goal. The goal of all marketing is to build better relationships. In the real world, we meet people we like, we get them to like us, and we work to maintain that relationship. Marketing has the same goal. But for the past 50 years, there has been no good way to do this on a large scale.

With the marketing tools available - such as TV, radio, newspapers and direct mail - marketing could only focus on two things: Reach and frequency. With these tools, marketing strategy consisted of interruption marketing: Blasting your message to enough people with enough frequency so that somewhere, somehow, someone would remember your product when they needed what you were screaming about. Marketers hoped that by remembering the brand, you would choose it when you had a specific need.

This approach worked very well for the most part, but there were two problems. From the marketers' standpoint it created a world of have and have-nots. Those with the most money could buy the most reach and frequency. The rich shouted the loudest and small businesses and entrepreneurial start-ups couldn't be heard.

The problem for consumers is that the noise just got to be too much. You can be screamed at for only so long before you start tuning out. That's exactly what is happening. Traditional noise marketing is being tuned out. I use my DVR to skip commercials, I listen to my iPod instead of the radio, and I find all my news online. And when I have a need I go to that little search box and ask for a solution.

Many organizations may find this all threatening, but for open-minded, creative and entrepreneurial organizations, this is the greatest thing to ever happen to marketing.

Successful marketing strategies for the new economy are based on listening and dialog. The new tools for marketers are, of course, tied to the Internet and are based on search and e-mail.

About 80 percent of Americans are online. Nearly 100 percent of

AARKETING

businesses are online and most of both consumers and businesses have broadband connections. The two most popular tasks people perform online are searching and e-mailing. The keys to success for business are to leverage these tools to accomplish the goal of marketing, which is to build better relationships.

Search

Roughly 80 percent of all Web interactions begin with a search. People don't remember or care about your Web address. When they want something - information, products, recommendations or a relationship - they search for it.

This is fantastic from a marketing standpoint. Rather than having to scream like a carnival barker, all you have to do is listen. Your prospect is going to type their desire right into that little Google box. Your job as a marketer is to simply show up.

Prospect: "I need a fuel efficient car."

You: "We have lots of nice cars that get 35 mpg."

How simple is that?

There are two tactics in search marketing that make it easy for entrepreneurial organizations to find success. One is pay-per-click (PPC) advertising. PPC is very easy to execute, can be very affordable, and is measurable and manageable. As the name implies, you only "pay per click." By picking the keywords your prospects might enter, such as "fuel efficient car," your ad appears along the borders of that search result page. The assumption is that these leads are very qualified, so it's worth paying Google for them.

The only problem with PPCs is that they compete on the same page with organic results, which appear in the center of the search results page. The reality is that between 80 and 95 percent

of the clicks on that page happen in the organic results. So the key to successful search marketing is to rank highly in the organic results for as many search terms as you possibly can.

The second search marketing tactic that works well is blogging. We have found that initiating an organizational blogging strategy to be the easiest, cheapest and most effective method of driving your organic search results.

Blogs have nearly all of the characteristics that search engines look for when deciding what to rank where on various keywords, including such characteristics as keyword density, frequent updates, recency, titles and inbound linking. The idea is to maximize your company's search marketing presence by maximizing blogging - and thereby maximizing opportunities to reach customers through search marketing.

So let's suppose you do win the search marketing battle. What's next?

People don't buy anything on first impression. From a marketer's standpoint that means that you have to engage in a dialog. The reality of the Web is that 98 percent of the people who land on a Web page leave anonymously. They hit a page and just move on. Why? Typically either the site's call to action is so subtle that the visitor doesn't know what you want them to do, or you are asking them for too big of a commitment.

Think about a person buying a car at a dealership. A bad salesperson will immediately shove the customer toward "this little baby." He'll check with his manager, run some numbers and try to get the customer out of the showroom in 30 minutes or less. Guess what most customers do when hustled this way? They run.

A good salesperson, on the other hand, will take a little time. Maybe she asks a question: "What are you looking for in a car?" That one query will generate a variety of data: Who the driver will be; the financial limits of the buyer; the emotional or practical reason for the purchase, and

> so on. That one question can reveal everything the salesperson needs to make the sale.

> Now translate that to the Web. What page do you show a Web visitor based on the search term? Your call to action needs to be focused on small yet clear commitments. Ask questions. Make offers that have value to the prospect as it relates to their needs.

> This is where e-mail marketing comes in strong.



"Roughly 80 percent of all Web interactions begin with a search."

E-mail

Most people who engage in e-mail marketing think in terms of old fashioned reach and frequency marketing, only done more cheaply than pushing paper. Guess what? The consumer looks at it the same way, as just more noise.

The power of e-mail is to create a system that deploys your message based

on data. Ask questions. Listen to the answers and respond appropriately with the right message tailored to the right person at the right time.

There are only three ways to have a discussion: face-to-face, over the phone, or through e-mail. What's great about e-mail is that it's possible to have one-on-one dialogs with lots of people and the technology does most of the work.

Perhaps what's greatest about marketing in the new economy is that it is significantly more technology-driven than artist-driven. Blogging software and e-mail are sophisticated yet easy to use. This is marketing technology for marketers, not IT folks.

For the first time in decades the marketing playing field is level. No longer is budget the deciding factor between have and have-not marketing efforts. Now the deciding factor is more aligned with passion, as it should be.



Building A High-Performance Sales Force

by SCOTT WEBBER Chairman and CEO, Volatus Advisors LLC

I HAVE HAD the opportunity to be involved with and to analyze many software companies in the past 30 years. I have found that successful companies have some common traits: They all have competitive products that move the ball forward in terms of changing the way work gets done. Each company also has quality infrastructure in place to ensure that customers are dealt with effectively. However, the most critical and consistent element of these successful companies is that they all have superior distribution channels. This is the way they ensure that they win the lion's share of their markets' potential sales opportunities.

Buyers attempt to analyze the various products available to them before making purchase decisions. But buyers' ability to truly and completely understand the merits of the products is very limited, so their decision generally comes down to the effectiveness of the sales representative in portraying the product.

Consider the track record of many of the market leaders in the software industry. These industry icons generally have strong products but often not the best products in their space. Most IT executives that I know considered IBM's OS2 to be far superior to Microsoft's Windows - but Windows clearly won that battle. Nobody ever accused SAP of providing the best ERP solution in their early days, but SAP's strong sales organization won the day. I am sure if you think about other companies that you are aware of, you will find more examples of this phenomenon.

Given this importance of the sales organization in driving business, I have always made it my top priority to put in place the best sales force. To achieve that goal of building a market-leading sales force requires hiring the best sales people you can, regardless of cost, starting at the top.

The first priority of developing a first-rate sales team is to hire a first-rate vice president of sales. This needs to be a senior level executive position reporting to the CEO. It is critical to hire someone into this role who has already been where you are going. This means hiring someone who understands the type of sale your company makes, and has been a top 10 percent performer as a sales executive in a company that has achieved the type of successful sales growth you desire.

If you are targeting Fortune 500 companies with a product with an average sales price of \$50,000, then find someone who has been successful as a top tier sales executive in that type of market before. If your typical sale is \$25,000 to middle tier companies, hire someone who has been successful doing that. You need someone who can come into your organization knowing exactly what needs to be done and can immediately make it happen - as opposed to someone who is inventing their approach.

The challenges in hiring this individual are twofold. First, they are harder to find than less experienced, mediocre talent. Second,

SALES

"Top reps tend to sell more because they understand their product, market and customers better than average reps, and hence tend to have happier customers than their less talented counterparts."

they are generally more expensive. However, the alternative of hiring someone who is less capable is far costlier: The value of your business will be orders of magnitude less without a successful sales effort.

Where do you find this sales executive? We discussed above the type of company he or she would be working for. If you have a network of contacts at such companies, use it to locate the top-tier talent at those companies. However, most of us will need a top-tier recruiter to help locate this individual.

Typically, these individuals are earning significant six-figure incomes wherever they are because, as top 10 to 15 percent performers, they are likely maxing out their compensation plans, which are robust enough to keep them from being recruited away by another company with a better comp plan – such as yours. They may currently be the VP of sales or a step below that position. In a larger company, they may have the experience of managing the appropriate sales organization that you expect to require in the future but may currently be a step down from the top executive position because of the size of the firm.

What you can offer these individuals that they can't get in their current role - is that executive level position and title, and an opportunity to participate in the upside success of your company. This requires a competitive compensation plan, which needs to include an equity stake in the company.

I have always believed that top sales performers are worth their weight in gold. Hence, I like to put in place compensation plans that are highly leveraged to attract and motivate top performers to overachieve their quota targets. I would much rather have 10 stellar sales representatives making twice as much as 20 average reps.

While the compensation cost is the same

either way, the indirect costs of the 20-person organization are much higher. Office space and materials, travel expenses, layers of management required, and so forth, increase the relative cost of the larger group of mediocre reps. Top reps tend to sell more because they understand their product, market and customers better than average reps and hence tend to have happier customers than their less talented counterparts.

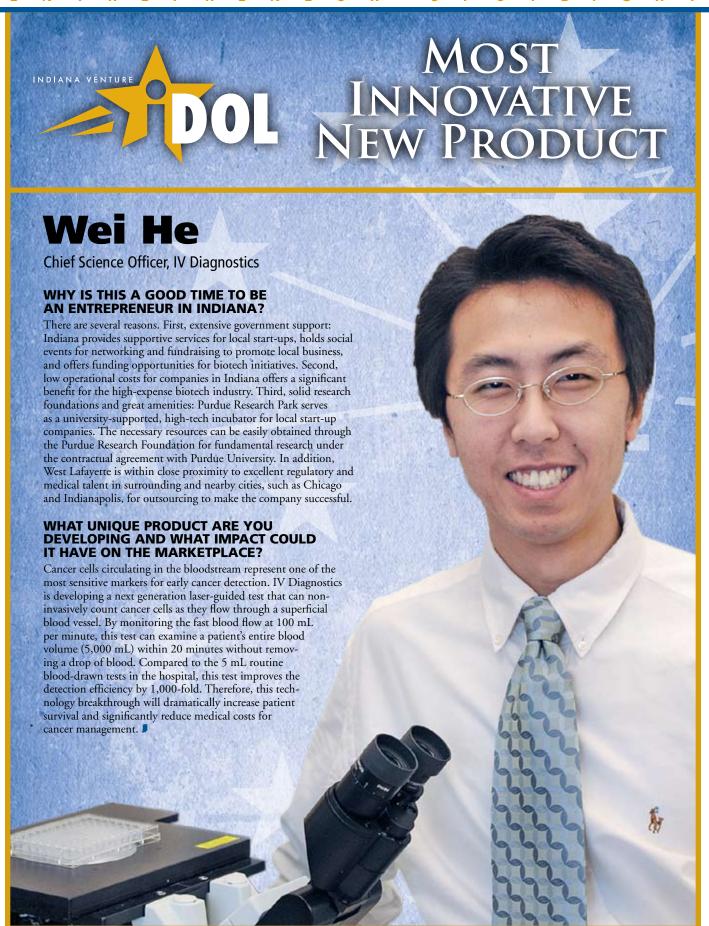
I have never understood the attitude of some CEOs who believe that if sales reps have a great year and earn sizable commissions, the compensation plan should then be changed so they can't achieve that high level of income in the future. It has always been my belief that top reps should have the earnings opportunity to make as much or more than the CEO. If the sales team is successful in growing the company's revenues, the increase in the value of the company will be worth much more to the owner and CEO.

Another requirement I have for early stage sales employees is that I try to "overhire" for as many sales positions as possible.

What I mean by this is that if I need one sales individual initially, I start with a successful VP of sales who has experience managing larger sales organizations. I know that as they grow sales for the company and the need for more company reps grows over time – they have the experience to be able to hire and manage those reps as they grow into their level of expertise, not out of it.

For a rapidly growing young company, the value of having talented people available to move into roles of greater responsibility is critical. The good news is that if you have hired your vice president of sales well, he or she will likely bring on board the caliber of talent needed to feed your future growth engine.

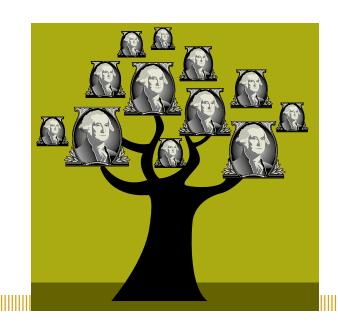




EARLY STAGE FINANCING:

MYTHS AND MYSTERIES UNCOVERED

by BILL OESTERLE Founder and CEO, Angie's List



ANY DISCUSSION OF early stage financing inevitably includes two questions: "Why is it so hard to raise money for start-ups?" and "How can my company do it?"

If I have any perspective to offer on these questions, it comes from the fact that I have spent my entire professional career as either a provider of capital, a receiver of it, or a match-maker in the middle. I served as a partner in one of the largest venture capital firms in the Midwest; an investment banker specializing in small company financing; and finally as the co-founder and CEO of Angie's List, a high-growth company based in Indianapolis. At Angie's List we have been through most of the stages of growth company financing, including seed, angel investment, venture capital, mezzanine and senior bank debt.

So, why is it so hard? The answer is fairly simple even if it is unpopular: It is hard to raise early stage financing because it has to be.

The vast majority of early stage companies fail. Consequently, the market is very sparing in how it allocates capital to the early stage segment. When I was in venture capital, the widely accepted rule of thumb was that you had to look at 100 companies to find one worth investment. Remember, that's 100 potential investments just to find one to put money in, not to mention ever getting it back out. Even successful venture capitalists usually only get their money back on 50 percent of their deals. They usually earn superior returns on only 25 percent of their portfolio. So, only 2.5 investments in 1,000 ever earn an above market rate of return. The numbers are far worse in seed-stage deals; they are just much harder to track. Again, raising money is hard because it has to be for the market to work.

This brings us to the big myth of venture capital. I often hear the comment, "Of course early stage companies fail. They fail because they can't raise money. If they could raise the money, more of them would succeed."

I like to refer to this as the "spend it and they will come" approach to early stage financing. I wish this myth were true. If it were, all you would have to do to build a vibrant entrepreneurial economy in a place like Indiana would be to throw a pile of money at start-up companies, sit back, and watch them grow.

Unfortunately, the market always seems to dislike simple solutions. I won't bore you with citations, but there is overwhelming evidence that companies fail at the same rates with or

without financing. In fact, there is a fair amount of research saying that over-funding a company is more dangerous than under-funding one. Over and over again, states have attempted to increase the supply of early stage capital in the hopes of expanding their entrepreneurial base. They have pushed their pension funds into early stage financing, they have set up state-run venture funds, and they have strong-armed their universities into venture financing. In general, the results have been dismal. In the most dramatic examples, states have squandered hundreds of millions of dollars on failed efforts.

Too many times I saw venture-backed companies with high rent office space, really nice furniture, and a business plan that didn't last six months. At Angie's List we have always raised money parsimoniously. We raise it frequently and in relatively small amounts. This forces us to

FINANCE

go into the market place and make our case on a regular basis. It imposes external discipline on the company. (We also generally have ratty furniture and some of the least expensive office space in Indianapolis.)

Telling you that raising capital is hard is not very satisfying. If you are currently looking for it, you probably already know this. So, what does it take to actually raise the stuff? How can you increase your chances?

Any advice I have here should carry some disclaimers. First, I am talking about general truths. There are a lot of ways to raise capital. Any example I give can be countered by an opposite example. Second, raising capital, like anything else in business, involves a degree of luck. I can think of worthy companies that did all the right things only to die on the vine. On the other hand, some companies that I would not have gone near have pulled together staggering amounts of capital. The following tips reflect my general observations about raising early stage capital.

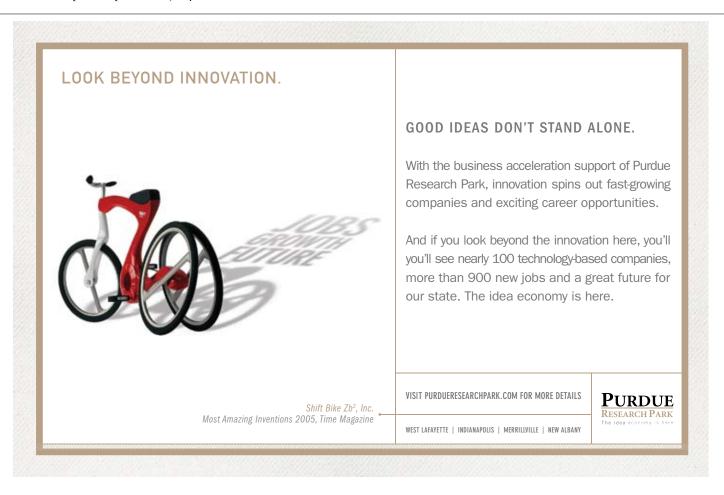
You Need Credibility And Experience

History tells us that most successful entrepreneurs typically succeed in an industry in which they have already worked. The reasons are obvious. People with specific industry experience are most likely to know the customers, suppliers, managerial talent and market opportunities in that industry. These people have half the battle won before they start. Every start-up business exhibits two significant areas of risk: strategy and execution. Of these, execution risk is the most dangerous. It is an old saw among venture capitalists that they would rather have a first-rate management team and second-rate business plan than a second-rate team and top-notch plan. A majority of the successful firms I have worked with succeeded in a line of business that was not in their original plan. A financeable company tends to have a management team and board that have industry experience, operational experience and start-up knowledge. Each of these is distinct and important. Having them dramatically increases the chances of raising money.

Plan Your Work, Work Your Plan

Volumes have been written about the importance of a good business plan. Rather than repeat any of that, I'll share a couple of observations from having looked at somewhere close to 1,000 business plans. Keep them short; keep them simple. There is an old venture adage that a VC shouldn't give a plan a second look unless his or her 7-year-old could understand it. Investors are busy people, and they usually have lots of plans to look at. The opportunity needs to be obvious to catch their attention. A good executive summary of the plan is incredibly important. It serves as the hook. I would never submit an executive summary that was longer than two pages.

> "Capital is beautifully indiscriminate. It flows to where the opportunities are."



Sell Something, Sell Anything

Finding seed-stage financing is much harder than finding early stage financing. So, try to move your company from one stage to the next. The difference between a seed-stage company and an early stage company is simply the difference between a company that is planning on selling something and one that is selling something. There is nothing that diminishes execution risk in a company faster than sales. There is a very big difference between a potential customer saying he or she will buy and an actual customer who has paid. This is a difficult hurdle for companies with long research and development cycles. However, one of my venture firm's most successful medical technology companies sold arm slings while it developed and received FDA approval for its device.

Understand Who Has The Leverage

Early stage financing requires a negotiation. Many financings fail because the entrepreneur does not understand who has the leverage in the negotiation. In general, these entrepreneurs overvalue their opportunities or become too focused on percentages of ownership. You have to understand what you have and where you are in a negotiation. The best time to raise money is when you don't need it, and having two interested investors is a whole lot better than having one. If your company won't make Friday's payroll and you only have one somewhat interested VC fund looking at the deal, you can expect to give up a lot of ownership and return to get the deal done, if you can get it done at all.

Get Moving

For some reason, potential entrepreneurs in Indiana are less likely to become actual entrepreneurs than in other parts of the world. People will commonly say it is because Hoosiers are cautious and conservative by nature. I don't believe that to be true. I think they lack familiarity with the ambiguities of entrepreneurial companies. It is often said that Hoosiers aren't risk takers. I think that over simplifies the issue. Risk itself is something you want less of, not more. Hoosier entrepreneurs don't need to take more risks, they need to take calculated risks.

You have to analyze the opportunity and then get on with it. Many would-be entrepreneurs suffer paralysis by analysis and never get their idea past the planning stage. Another common cause of death for these entrepreneurs is drowning in a sea of opportunity. Companies meeting this end have managers who are unable to prioritize business opportunities and keep moving on the one most likely to produce success.

As I said before, raising capital is hard, appropriately so. But there is some very good news, too. There has never been more risk capital for entrepreneurs in the history of all mankind than there is today. More capital is available in more forms. Some say this bounty exists in many areas but not in Indiana. I could not disagree more.

Capital is beautifully indiscriminate. It flows to where the opportunities are. It doesn't care about boundaries, philosophical or geographic. At Angie's List, our largest investors are in San Francisco and Boston. Our main venture capitalist is German. He says he likes our location in Indiana because it keeps us out of Silicon Valley's herd mentality. He also thinks it's easier to find good people in Indiana. He's right.



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FOR MORE INFORMATION: WWW.NAWBOINDY.ORG 317-466-2768

RESOURCES

Indiana's Entrepreneurial Support Network

YOU FACE MANY challenges entrepreneur. It isn't possible to surmount all of them by yourself. As your business grows, you will have to master new skills. In order to achieve business success, you will need to solicit outside expertise. Following are some great resources from Indiana's Entrepreneurial Support Network that can help you to start, manage and grow your business.



>Ball State University **Entrepreneurship Center**

www.bsu.edu/entrepreneurship 765.285.9002

Ball State has established a program of entrepreneurial education, research and innovation, with a commitment to outreach and research through the Entrepreneurship Center and as the co-administrative site for the National Consortium of Entrepreneurship Centers.

>BioCrossroads

www.BioCrossroads.com 317.238.2450

BioCrossroads provides money and support to existing life sciences businesses as well as assisting in launching new life sciences businesses, expanding collaboration and partnerships among Indiana's life sciences institutions, expanding science education and building awareness, and marketing Indiana's life sciences industry.

>Greater Indianapolis Chamber of Commerce **Slingshot Program**

www.indychamber.com/slingshot.asp 317.464.2260 (Program Contact)

Slingshot, one of the Greater Indianapolis Chamber of Commerce's newest events, is designed to provide an opportunity for emerging businesses to showcase their products and services to local big companies for the purpose of utilizing the experience, connections and buying power of the participating business leaders. Supported by partners Eli Lilly and Company and Conexus Indiana, the event's goal is to increase the value and accelerate the revenue growth of emerging businesses from multiple industries that have been profiled.

RESOURCES

>Indiana Innovation Network

www.indianainnovation.com

The Indiana Innovation Network is a network created by ATAIN, a non-profit organization established to enhance technology transfer in the state of Indiana. The network is dedicated to promoting the growth and success of Indiana's technology research base and technology-based entrepreneurial ventures. The network's mission is to accelerate technology transfer and commercialization in the state by strengthening the connections between and within Indiana's research institutions and the marketplace.

>Indiana INTERNnet

www.IndianaIntern.net

1.866.646.3434

Indiana INTERNnet is an internship-matching program linking employers, students, high schools, colleges and universities by providing both high-tech and high-touch support. It is a powerful, high-tech Web-based search and matching and reporting system coupled with "high-touch" personal assistance, a toll-free hotline to answer questions and provide internship guidance and resource materials, creating or expanding high quality internship opportunities within the state.

>Indiana Small Business **Development Center**

www.isbdc.org

The Indiana Small Business Development Center is a statewide network of 11 offices offering a wealth of free and low-cost information, management counseling, key contacts and educational services designed to support Indiana small business owners and potential entrepreneurs. The organization's mission is to help Indiana's small and emerging businesses grow and create new jobs within the state.



Indiana State University

Center for Business Support and Economic Innovation

www.indstate.edu/cbsei

812.237.2536 (Program Contact)

The Center for Business Support and Economic Innovation is the Indiana State University's business engagement office. As the university's official liaison for business support services and economic development, the center works with faculty and staff from all areas of the university to identify business needs and coordinate university solutions.

>Indiana Venture Center Inc.

www.indianaventurecenter.org 317.684.6700

The Indiana Venture Center Inc. is a privately funded not-for-profit organization that works independently, as well as in collaboration with universities and other organizations, to increase the number and quality of successful, entrepreneurial, high-growth companies in Indiana.

>Purdue Research Park

www.purdueresearchpark.com 765.494.8645

Purdue Research Parks are located in West Lafayette, Indianapolis, Merrillville and New Albany. They offer physical space and support services, business plan competitions, job fairs, internship programs, and entrepreneurship academies. Purdue's strategy is one that combines technology transfer and business acceleration programs, flexible leasing plans and human resources, media relations and marketing assistance.

>Rose-Hulman Institute of Technology

Rose-Hulman Ventures

www.rhventures.org 812.244.4000

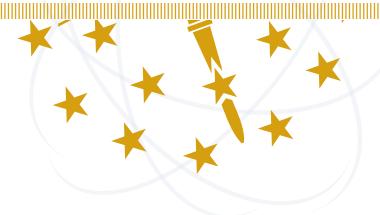
Rose-Hulman Ventures, a program of Rose-Hulman Institute of Technology, brings together outstanding students with technology-based companies. For students, that means the best engineering professional practice experience possible within an academic program. For businesses, it means prototypes, refining the design of existing products, and expanding current engineering capabilities.

Small Business Innovation Research (SBIR)

www.in.gov/iedc/166.htm

317.384.3078 (Program Contact)

The mission of the Indiana Economic Development Corporation SBIR office is to help entrepreneurial, innovation-driven Indiana businesses compete for and win federal research and development funding. Additionally, the SBIR Initiative is committed to assisting Indiana businesses in the commercialization of their prototypes and understands the impact that these companies can have on the economy.



RESOURCES





>Small Biz U

www.smallbizu.org/isbdc/

Small Biz U, a program of the Indiana Small Business Development Center, is an extremely valuable web-based educational program comprised of modules addressing key components for starting, funding, growing and managing a company. The program is free to Indiana residents.

>Technical Assistance Program

www.tap.purdue.edu

765.494.6258

The mission of the Purdue Technical Assistance Program is to advance Indiana's economic prosperity and quality of life. The program supports performance improvement in Indiana companies and organizations through various programs and services that utilize faculty, students, and staff in nine statewide offices.

>TechPoint

www.TechPoint.org

TechPoint promotes technology-based enterprise and economic development through lobbying and government advocacy, educational and networking programs, and strategic economic development initiatives. TechPoint seeks growth in Indiana's emerging technology clusters, including advanced manufacturing, logistics, health and life sciences, and information technology.

>University of **Notre Dame**

Gigot Center for Entrepreneurial Studies

www.nd.edu/~entrep

574.631.3042

The Gigot Center's Management Entrepreneurship program prepares students to conceive, develop and launch new ventures and turn innovative ideas into products that can be brought to market. The program places special emphasis on the financial, legal and marketing aspects of a start-up business.

>Venture Club of Indiana

www.ventureclub.org

317.231.6447

The Venture Club of Indiana connects entrepreneurs and emerging companies with the resources they need to be successful. As a catalyst for entrepreneurial business development, the Venture Club creates opportunities for networking, education and funding of high-potential companies.

>Venture Capital Investment Tax Credit

www.in.gov/iedc/204.htm

317.233.3638 (Program Contact)

The Venture Capital Investment Tax Credit was established to improve access to capital to fast growing Indiana companies by providing individual and corporate investors an additional incentive to invest in early stage firms. Investors who provide qualified debt or equity capital to Indiana companies receive a 20 percent credit against their Indiana income tax liability.

>21st Century Research and Technology Fund

www.21fund.org

317.234.4652 (Program Contact)

As part of the Indiana Economic Development Corporation, the 21 Fund provides seed capital to highly innovative Indiana-based entrepreneurial companies, helping these firms make the transitional leap from general research and development to product development, while also creating high-wage, high-skill, high-tech Indiana jobs and diversifying the state's economy.



AUDIENCE FAVORITE

Robert **McShane**

President and CEO, First Precision LLC

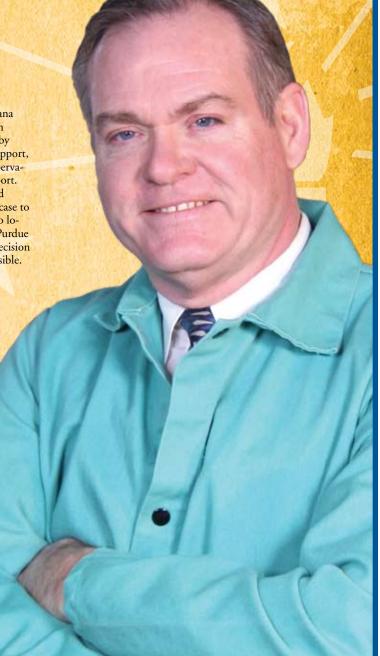
WHY IS THIS A GOOD TIME TO BE AN ENTREPRENEUR IN INDIANA?

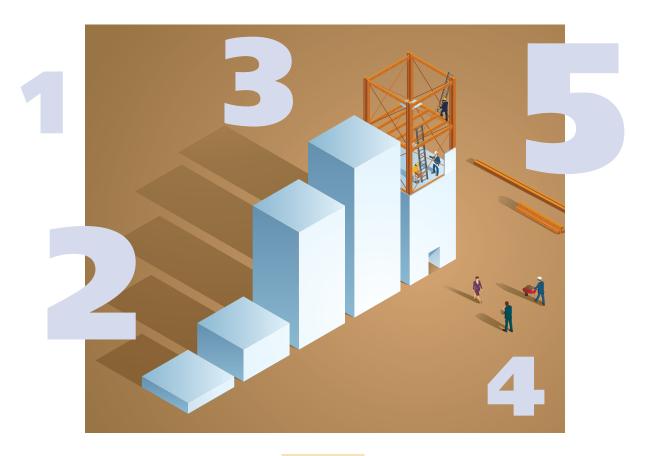
In all likelihood there hasn't been a better time to be an Indiana entrepreneur. The opportunities for developing technology in Indiana are tremendous given the positive support provided by state and local governments. Funding issues, development support, and a truly encouraging atmosphere for the entrepreneur is pervasive in Indiana. First Precision is a good example of this support. We have worked with the Indiana 21st Century Research and Technology Fund to assist our start-up needs, presented our case to local officials in northwest Indiana, and received incentives to locate there. Assistance from John Hanak and his team at the Purdue Technology Center in Crowne Point also has enabled First Precision to develop faster and more professionally than otherwise possible.

WHAT UNIQUE PRODUCT ARE YOU **DEVELOPING AND WHAT IMPACT COULD** IT HAVE ON THE MARKETPLACE?

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is cost effective.





TODAY'S TOP FIVE PRODUCTIVITY TOOLS FOR HIGH-GROWTH COMPANIES

by WAYNE PATRICK Partner, Professional Data Dimensions

THERE ARE A variety of tools available to help rapidly growing companies leverage their growth and be their most productive. Narrowing down the list of applicable top five business productivity tools for entrepreneurs and high-growth companies is a difficult exercise, but it's apparent that some tools are more important - and more encompassing – than others.

With this in mind, it's important to remember that businesses need to do at least the following things to be successful:

- Provide products or services that give value to customers and help them achieve their goals.
- Provide products or services at a competitive price that reflects the value and benefit of the product to the client.
- Invoice for and collect revenue for the product in a timely

and efficient manner; manage the capital of the business.

· Manage company resources and personnel that perform these tasks.

Now on to the top tools that will enable you, as an entrepreneur or small business owner, to maximize your management ability, build successful customer and employee relations, and (hopefully) maximize company profits.

Accounting & Financial **Systems**

Cash is king. All companies have to effectively manage their revenue and capital so that they can continue growing. An accurate, flexible, scalable accounting system is the number one tool required to manage effectively in a rapidly growing company. Knowing your financial position and understanding and controlling your costs are important in any business, but they are even more important for a rapidly growing company.

In a rapid-growth company, it's much easier for expenses to get out of hand. Revenue can grow so fast that it creates an illusion that profitability is fine when it really isn't. Knowledge of your costs and profitability prevents you from investing in or continuing to invest in products or services that are really not profitable. An accounting system that allows you to accurately capture, monitor and analyze your company's financial activity is a must-have tool for a rapidly growing company.

Web-enabled Technology

Web-enabled technology is an extremely vital tool for a rapidly growing company for many reasons. Critical in the Web-enabled technology suite of tools is an effective and inviting company Web site that quickly and accurately captures the essence of the company and gives the "elevator speech" at a glance.

You also need to have the tools and processes that enable you to continually position your site so that it is easily and effectively found by search engines when customers are looking for your products or service. You also need tools that enable vou to track and monitor the activity on your site, including visitors, visitation, pages viewed, length of visit, and so forth. The information can be captured and stored in a database that enables you to analyze it to understand your customer base and more effectively respond to their needs. Another very important tool is e-mail marketing capabilities. E-mail blasts and targeted e-mail tools or campaigns enable you to communicate with site visitors and other potential customers. For more information about the impact of web-enabled technology on sales and marketing, read "The Long Tail" by Chris Anderson. It speaks much more effectively

to this topic than I ever could.

Contact Management **Tools**

Included in this category are contact management, customer relationship management and sales management tools. All these enable you to effectively capture and track the essential information on your prospects, customers, business partners and recruiting or employment candidates. These tools enable you to track clients from initial contact to actual sales and beyond. They give you the ability to understand all of your contacts and effectively manage your relationships with them. These tools allow you to make these relationships more effective by giving you access to and providing a way to organize information to your advantage. Raw data is only valuable when you can organize it into accessible, usable information.

Knowledge Management & Communication Tools

In this area are tools that enable you to leverage communication between you and your customers or you and your employees. These tools allow you to leverage information across the company and utilize it to your most competitive advantage. They enable you to open up the company to your clients in the most effective manner and make the client relationship transparent so that you work as a team and maximize your ability to support their needs. They also permit you to promote extremely effective communication between your employees and encourage their participation and input to the business. Using these tools can be a most effective way to generate ideas and nurture them in the organization.

Office Tools

The last of the most important productivity tools are what I call the virtual office suite. This grouping includes tools like a virtual private network, wireless, smart cell phones and so forth. All these tools enable you to effectively work and communicate and create a virtual work environment. These tools make a rapidly growing company much more effective because they give you the ability to contribute to the organization from virtually any location at any time. They also provide a great benefit by allowing your company to minimize the need for bricks, mortar and real estate space as it grows.

"An accurate, flexible, scalable accounting system is the number one tool required to manage effectively in a rapidly growing company."

In order to validate my thoughts regarding the key tools for rapidly growing companies, I sought out the opinion of my most trusted expert advisors on the topic. These advisors are either very successful entrepreneurs who have used the tools to the benefit of their own companies, or they are very successful business support professionals who have advised many successful entrepreneurs on how to select and utilize these tools. I thank those of you who contributed to this article. It would not have been possible without your input.

What I think may be the most important tool that any company (rapidly growing or otherwise) needs most is the human advisor. This advisor - a mentor - will provide guidance, resources

and advice when you are working to grow your company. There is no substitute for the advice and council of the wise person who has been there and done that and can understand what you are experiencing. Tools are important but when it is all said and done, it is the people - especially experienced people - that are the most important tool in any human endeavor.

The productivity tools outlined are by no means the only tools that a company can leverage to its advantage. Every entrepreneur will develop their own set of tools based on their own specific circumstances. What matters is not that you use the tools described in this article, but that you use the tools that help you the most.

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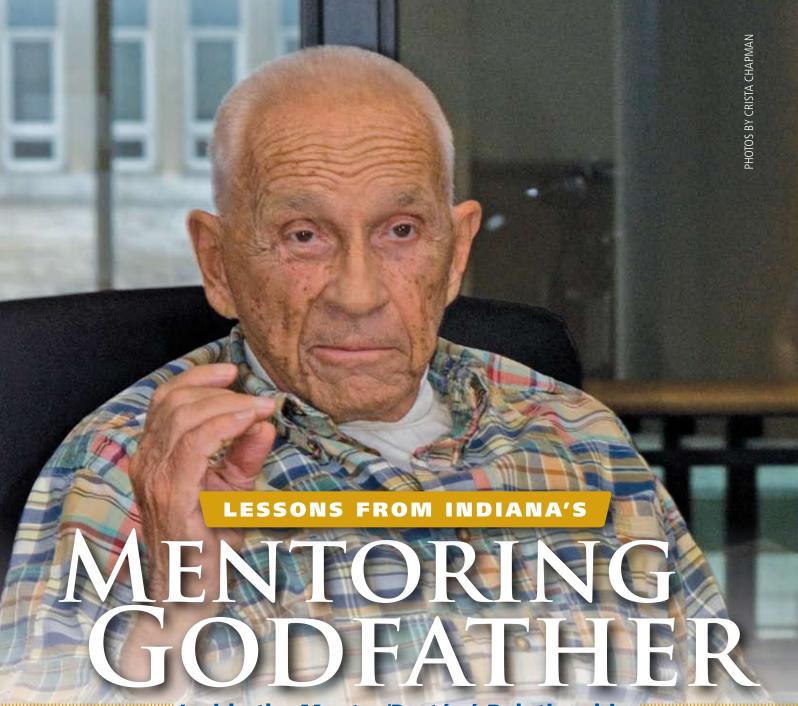
Connie Shepherd, Senior Vice President M&I Business Banking

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Inside the Mentor/Protégé Relationship

Four successful Indiana entrepreneurs gathered recently at Indiana University's Kelley School of Business to relate their personal experiences with renowned mentor Dr. William L. Haeberle, who has taught Indiana

entrepreneurs and business leaders for more than 60 years. The gathering was the perfect opportunity to explore the unique relationship between Dr. Haeberle and his protégés. What follows are the highlights gleaned from that discussion, which involved some of Indiana's most successful entrepreneurs and the "godfather" of all Indiana mentors.



THE MENTOR

Dr. William L. Haeberle

Professor Emeritus of Management, Kelley School of Business, Indiana University

DR. HAEBERLE BEGAN his career at Indiana University in 1946, teaching in the areas of managing growth, turnaround management and, most significantly, entrepreneurship. During his career, Dr. Haeberle has been involved in more than 50 business start-ups, acquisitions and consulting projects; 21 limited partnerships; 30 trusts; and participation on numerous advisory and executive boards. Among his many current roles, he is chairman of COMMAND Corp., a consulting company to owner/operators of entrepreneurial firms. Dr. Haeberle is today still impacting the entrepreneurial fortunes of young and old alike. With an entrepreneurial career spanning six decades, there is no greater legacy mentor in the state of Indiana.

INDIANA'S LEADING BUSINESS ENTREPRENEURIAL MENTORS



David J. Adams

Business Ventures of Indiana

Adams has used his executive and entrepreneurial experiences in the software industry to create businesses as well as help grow i2 Technologies from \$4 million in sales to a \$1.1 billion public company in just six years. His success did not go unnoticed. Governor Mitch Daniels recruited Adams to turn around Indiana's \$17 billion Public Employee Retirement Fund, which he successfully did in 2007. Adams currently assists private equity firms and entrepreneurs in the development of their companies

(317) 815.8540

Gary J. Anderson, MD **Emeritus Managing Director**

TL Ventures

Dr. Anderson is a retired general partner of TL Ventures (www.TLVentures.com), a large nationally based early- to mid-stage venture firm. He was founding chairman of Myco Pharmaceuticals Inc., which was acquired by Millennium Pharmaceuticals Inc.; founded MatchLogic Inc., which was acquired by Excite Inc.; and was lead investor in Quadrant Healthcare Plc. Dr. Anderson led or was chairman of many IT companies, including EMAX Solution Partners Inc., which was acquired by SciQuest.com, and WiseWire Corp., which was acquired by Lycos Inc.

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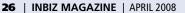


David Becker

First Internet Bank

Becker is a serial entrepreneur with businesses focused in financial software, retail inventory control and POS systems, educational software, and banking. His specialty is providing software as a service. Becker is active with TechPoint, TechPoint Foundation and the Central Indiana Corporate

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THE PROTÉGÉS



Jim Carpenter

Jim Carpenter is the founder of Wild Birds Unlimited Inc., a national string of nature and birdfeeding retail stores. He earned a B.A. in biology from Indiana University and a master's degree in plant physiology from Purdue University. Carpenter opened his first 700-square-foot retail shop, specializing in birdfeeders and seed, in Indianapolis in 1981. The first Wild Birds Unlimited franchise opened in 1983. Today, there are over more than 300 Wild Birds Unlimited Nature Shop franchises all across the United States and Canada. In 2007, the company ranked 34th out of all national franchises and first in retail franchises over 100 units in franchisee satisfaction.



Michael **Fitzgerald**

Michael Fitzgerald co-founded and operated 12 successful businesses that include InterArt Holding Corp., whose primary asset was Sunrise Publications, a \$72 million greeting card company that Fitzgerald sold to Hallmark in 1998. He is an investor and real estate developer with several apartment complexes in Bloomington, Ind. He holds a Doctor of Jurisprudence degree from Indiana University and is currently a director of several corporations.



Andy Miller

Andy Miller is the founder of Polaris Inc. He graduated from Indiana University in 1987 with a degree in Finance. He founded Polaris Inc. in Bloomington and built it to 600 employees and sold to NYSE's ABM Industries in 1997. Miller then founded Cygnus Financial Corp., which provided seed money for early-stage companies. Today he is managing partner of Orchard Capital, which conducts first- and second-stage investments in Indiana companies. He is also an investor in Dr. Haeberle's Command Equity Fund.



Matt Striebel

Matt Striebel is co-founder and president of Dimensions Furniture, a design and marketing focused furniture producer located in Carmel, Ind. Founded in 2001. Dimensions Furniture is devoted to finding creative solutions for the furniture needs of the nation's largest mass merchant retailers. Striebel received an undergraduate degree in management from Purdue University and an MBA from the Kelley School of Business at Indiana University.

INDIANA'S LEADING ENTREPRENEURIAL BUSINESS MENTORS



Brent S. Claymon Principal Park Place Motors

Claymon, along with his two brothers, was a founder of Pac-Van in 1993, growing the company to almost 200 employees, 20 locations nationwide, and more than \$60 million in annual revenue. In 2006, they sold Pac-Van to a private equity firm. In 2007, he acquired Park Place Motors, specializing in automobile sales and service, taking what was an underperforming business and transforming it into a profitable venture. In addition, he is involved in various real estate development businesses, taking an entrepreneurial approach to every opportunity.

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Rollin M. "Rollie" Dick

MH Equity Investors

Dick has more than 55 years of accounting and financial management experience. He was a consultant with Haverstick Consulting, executive vice president and chief financial officer of Conseco, and a partner at Coopers & Lybrand. Dick has been an active angel and venture capital investor and has interests in numerous businesses and investment funds. Dick received the Ernst & Young award as Entrepreneur of the Year in 1997. He is also a director of several non-profit organizations, including GEO Foundation, Civic Theatre and Butler University.

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Jim Eifert President

Indiana Venture Center



ieifert@indianaventurecenter.org



Dr. Haeberle, after 60 years of mentoring entrepreneurs, what advice can you provide to aspiring mentors?

WLH: I would respond by providing some insights on what mentors should **not** do:

Be careful giving advice. Rather, provide some insights on the decision model of the entrepreneur. Help them see possibilities. Provide them with data sources. Be careful not to enlarge the base of the relationship into areas you know nothing about. Trust is created on original base and it should be used wisely. Be careful not to create a dependency. The goal should be to make them independent. And be careful not to sponsor the protégé. Never lose your independence in thinking. That is your greatest asset.



What is a mentor in the eyes of a protégé?

MF: A mentor is the art of asking questions: A master of teeing up the right issues.

JC: It is someone who you can talk with about issues inside the company.

AM: It is someone who you can recharge on by measuring your successes with milestones.

MS: It is the "Creed of Personal Sovereignty" that Dr. Haeberle developed. I re-read it to ignite my spirit.

AM: It is someone who helps you keep the saw sharp and to stay on the trail

INDIANA'S LEADING ENTREPRENEURIAL BUSINESS M E N T O R S



Mark E. Hill Managing Partner Collina Ventures

HIll co-founded Baker Hill® in 1983. Focusing on the banking industry, the company serves as a trusted advisor to its banking clients and delivers solutions that address business process needs. In addition to his role with Collina, Hill serves on the board of numerous companies, including Interactive Intelligence, Bluelock, and Angel Learning. He also served as the 2002 inaugural chair of the TechPoint Foundation, bridging the "digital divide" by providing technology for at-risk youth.

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Hunt is the former chairman and CEO of Arvin Inc., former vice chair and president of Arvin Meritor, chairman of Clarian Health Partners, and advisor to Carlyle, Blackstone, Arience Capital on automotive industry companies. He has served as director, investor or advisor to Breeze Industrial Products, Rollcoater Inc. (Willis Stein), My Health Care Manager, Sentelligence and Cardinal Ventures. He has invested in Semafore Pharmaceuticals and Hammond, Kennedy and Whitney. Hunt's focus includes automotive, metal processing, manufacturing and health care.

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Scott A. Jones

Chairman and CEO, ChaCha Search Inc.; Chairman and CEO, Precise Path Robotics; Chairman, Gracenote; Chairman, Gazelle TechVentures

For more than two decades, Jones has created companies that have produced over a dozen awardwinning industry firsts. In 1986, he started his first company, Boston Technology, where he invented the voicemail system that is most predominately used around the globe today. He then went on to create Gracenote music recognition software. He's also founder and chairman of one of Indiana's leading venture capital firms, Gazelle TechVentures; co-founder of Precise Path Robotics, an autonomous lawn mower company; and co-founder of ChaCha.com, a breakthrough search engine.

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Mentoring Godfather



Describe how you developed your mentor/ protégé relationship with Dr. Haeberle.

MF: In 1969 I was selected to take Enterprise and Entrepreneurship from Dr. Haeberle. The class met at his home for three hours one evening per week, during which time the students sat at the feet of the master in order to soak up his entrepreneurial wisdom. Thereafter, we maintained periodic contact in our mentor/ protégé relationship, which continues to this day. We are coinvestors in a number of private investments and sit together on multiple boards. He is still the master and I am the grasshopper.

AM: Before I graduated from IU, I started my own business. Within a year after graduation I asked Dr. Haeberle to become my first board director. He agreed and selflessly served on that board for years - making countless trips to Indianapolis to guide me in the creation of what became a company employing nearly 600 in a tri-state area. My mentor/protégé relationship with Dr. Haeberle grew because he was willing to give of his time with no expectation of receiving anything in return. He was driven simply by the vision of raising up others. Our relationship began with him as chief executive cheerleader and grew into one of chairman and teacher. He was the voice that said, "Not only can you do it, you **should** do it," and that voice of encouragement later helped guide me through turbulent times.

JC: I joined the IU business group, The Alliance, in 1992, which was started and overseen by Dr. Haeberle. In 1995, Dr. Haeberle joined my strategic advisory board and has been an active member ever since.

MS: I first met Dr. Haeberle when he came to the Kelley School during the first week of classes and his brief talk struck me like a thunderbolt. He offered a vision of a life founded on self-reliance and fueled by passion and the opportunity to do great things - the life of an entrepreneur.



What were the one, two or three key points of advice or wisdom that Dr. Haeberle provided that really made a difference in your business and in you as an entrepreneur?

AM: It was easy to be quickly intimidated as a 20-year-old CEO. Sitting across from bankers more than twice my age was a daunting task. Dr. Haeberle taught me early on how to use my age and lack of experience as an advantage. "People generally want to help others," he said. "If you are willing to admit you don't have all the answers and ask for help you will find you have many champions."

JC: He always gives a clear view of what an enterprise looks like that is considered to be a high-performance organization.

MS: Self knowledge and awareness is the basis and foundation of everything. Never give up - losing is a temporary state, always. When faced with a problem, do not complain about the situation. Be accountable! Look in the mirror for the answers take charge and change your situation. Look at work as a way of life and as fun.

INDIANA'S LEADING ENTREPRENEURIAL BUSINESS M E N T O R S



Bruce Kidd Director Entrepreneurship & Small Rusiness

Indiana Economic Development Corporation

Kidd is director of entrepreneurship for the Indiana Economic Development Corporation. He oversees all programs designed to assist in the creation and/or growth of entrepreneurial companies in Indiana, including the 21st Century Research and Technology Fund, Venture Capital Investment tax credit program, Small Business Development Center Network, and Small Business Innovation Research program. In the past 20 years, Kidd has counseled hundreds of entrepreneurs and small business owners on strategy and capital formation.

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Martin has 30 years of experience in public and private equity investing and technology commercialization. Prior to Village Ventures, she was acting CEO of WisdomTools, Indiana University's first technology spinout; a general partner of U.S. Venture Partners, a leading Silicon Valley venture capital firm; and a principal at Allstate Insurance Company's Venture Capital Division in Chicago. Martin sits on the executive and valuation committees of Gazelle Tech Ventures, the advisory boards of Arch Development Fund and Dunrath Partners.

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Scott Molander

Hat World/INmodern-Simple Furniture

Molander co-founded Hat World in 1995. The company quickly became the market leader and was sold to Genesco in 2004. Hatworld/Lids now has 750 stores located in malls and airports across 50 states with new stores being developed overseas. He co-founded INmodern (now called Simple Furniture) in 2005 and has worked with several entrepreneurs as an advisor since Hatworld was sold. His industry focus is consumer products.

www.lids.com www.inmodern.net www.ecotots.com

MF: Before you start any new venture ask yourself three questions: What is the plan to accomplish the opportunity? Am I qualified to execute the opportunity? Do I want to undertake this opportunity amongst other possible opportunities? Learn the importance of proper communication to every stakeholder in your organization, including bankers, investors, directors, peers, managers, employees and customers. The CEO of a highperformance organization has five basic responsibilities: Create an intimate relationship with your customers; formulate a vision for success based upon customer needs and your capabilities; hire the best possible managers; celebrate success at every level of the organization; and delegate the details of the day-to-day operations to your managers.



How important is a mentor to a new or even seasoned entrepreneur? Why?

AM: A mentor is a critical part of building a successful company. It is the desire of most entrepreneurs to alleviate the pain of other, fellow entrepreneurs. A good mentor will look out for his protégé, and while their advice may not always be accepted, they can certainly point out many pitfalls along the way.

MS: In my mind, having the right mentor is key for a successful entrepreneur.

MF: Good judgment is based on experience. Experience is based on bad judgment. Therefore, it is essential to look to experienced entrepreneurs in order to reduce the "fool's tax" that you will pay in any venture. Bad judgment is much more expensive than income tax. The best advisors have the benefit not only of past experience, but also of current best practices. Each entrepreneur will still trip and fall along his or her path, but outstanding

mentors will assess the situation with the cool head of an objective onlooker and force you to address the difficult questions while you identify your priorities.



What value did you gain from the mentor/protégé relationship?

AM: I gained confidence and clarity. My mentor/protégé relationship expanded my views and taught me new ways of looking at challenges and opportunities.

JC: I always had someone I could talk to about my company in ways that could not be done with company staff. Having a mentor also helps me improve my own performance since my mentor has high expectations and I don't want him to feel as if he is wasting his valuable time with me.

MS: Dr. Haeberle has not just hoped for the best from me -"hope" is not part of his vocabulary - he has expected it. He expected me to carry forward and start a business; he expected me to make that business a success. He does not tell you what is right or wrong, as he realizes this will have little long-term impact. Instead, he asks you tough, probing questions and forces you to come to your own conclusions as to what is the best course of action.

MF: When I did a leveraged buyout of the voting stock of Sunrise in 1992, our sales were \$17 million. Five years later, our sales were \$72 million. I could never have navigated the turbulent waters engulfing a high-performance organization without Bill Haeberle's guidance. Of equal importance, he helped me grow as a person. It is impossible to adequately express my gratitude in words. He has simply been the most important business influence in my life.

INDIANA'S LEADING BUSINESS ENTREPRENEURIAL M E N T O R S



Bob Myer Angel Investor

Myer has excelled as both a Fortune 100 executive and a small company entrepreneur. He is an active angel investor with a current equity interest in four young Indiana companies. Myer spent much of 2007 successfully leading the efforts to capitalize an Indiana start-up requiring \$57 million to launch. He is active in several angel groups in the Midwest and Southeastern United States. Myer's experiences and investments cross many industries. He enjoys mentoring and helping entrepreneurs reach their dreams.

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Jeff Ready

A graduate of Rose-Hulman Institute of Technology, Ready started his first company right out of college. Since then, Ready has gone on to create and lead a number of companies, including CMGI-backed Radiate, which was acquired in 2000, and Seguoia-backed Corvigo, acquired by publicly traded Tumbleweed Communications in 2004. Ready is an active supporter of technology startups, regularly consults with budding entrepreneurs, and sits on boards of several early stage companies in Indiana and California.

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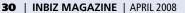


Alan Stanford President and CFO

My Health Care Manager LLC

Stanford used his large-scale information technology strategy and management experiences to found and manage My Health Care Manager LLC. The national company assists seniors and their families with the issues and options of aging. Prior to founding My Health Care Manager, he advised leaders and boards of early stage companies on strategy, funding, and development. He also mentors several owners and CEOs of information technology and health care services companies.

astanford@myhealthcaremanager.com



What advice would you give Indiana's newest generation of entrepreneurs about how to find and best utilize a mentor?

AM: Look for people who have built a successful business and simply ask if they will help you. Have the courage to reach out to people you perceive to be too successful to approach. Entrepreneurs love building things and many will be happy to vicariously build something through a budding entrepreneur often they will do it simply for the joy and satisfaction of watching someone succeed with their dream.

MS: The key thing to look for in a mentor is someone who has the experience and wisdom to act as the proverbial calm in the eye of the storm.

MF: There are two completely different questions here: How to identify and how to utilize. The second question is easier: Create a board of directors, or board of advisors, so that you have a formal relationship that allows you to call upon each mentor individually and compels you to periodically call upon them collectively. There is no one answer to the question of finding the best mentors. This is a process that will continue throughout your life. Always keep your eyes open and ears to the ground in search of the best mentors.

What thoughts come to mind when you think of the value of your mentoring relationship?

AM: It's about relationships and that runs deep. It is the only way to have a real voice in the business. It's a bond, a trust.

JC: Lessons learned, lessons to be passed on. Patience of a mentor is important; the layout of a path that may be followed later.

MF: Creating a structure for the mentor – a board. That formalizes your thinking and opens you up to the questions. An entrepreneur without a board is a fool. I have a tremendous number of ideas, but half of them are wrong – I just don't know which ones. A mentor helps to dispel the fog and provides clarity. In addition, it is a relationship that is special because it is forged in the fire of competitive business challenges.

JC: Be careful of the comfort zone. Entrepreneurs can exhibit too many behaviors to stay in that zone rather than doing what's good for the business. It is at that time when a mentor needs to probe.

AM: Mentors understand your pain and are standing there for you.



Dr. Haeberle, what do you get out of a mentoring relationship?

WLH: The mentor always gets more than the protégé. I have been able to see things in totality and have a greater understanding of businesses because I have had the pleasure of working with so many. And to see them succeed is beyond words.

INDIANA'S LEADING ENTREPRENEURIAL M E N T O R S



Scott Webber Chairman and CFO Volatus Advisors LLC

In his 30 years in the technology industry, Webber has successfully guided companies from inception to maturity. Currently, Webber serves as the chairman and CEO of Volatus Advisors, an investment and advisory vehicle for young companies, such as Performance Assessment Network and Autobase. Previously, Webber served as chief executive of Corepoint Technologies and Software Artistry Inc. and spent 10 years at Pansophic Systems Inc. He currently serves or has served on multiple boards of Indiana companies.

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Wojtowicz founded Cambridge Capital Management Corp. in 1983. It is a closely held private company specializing in the management of non-traditional sources of capital. Cambridge-managed funds have provided over \$426 million to more than 1,158 companies. These include a variety of companies in the manufacturing, service and retail sectors. Consulting activities have brought this fund management expertise to many states throughout the country. Wojtowicz is a director on numerous corporate, professional and civic boards.

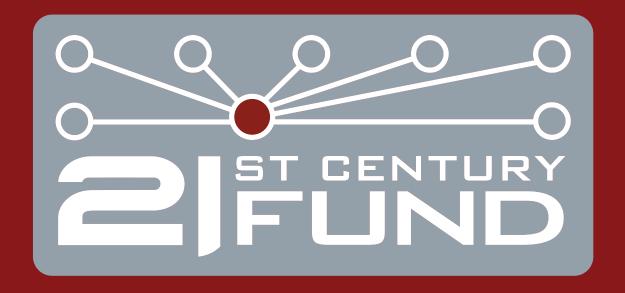
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Raul E. Zavaleta Volatus Advisors LLC

Zavaleta's career includes international executive experience in the life sciences industry and the founding of several successful technology-based companies. At Volatus Advisors, he uses his experience in working with the management teams of emerging information technology and life sciences companies to develop and execute business strategies to accelerate their growth.

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INVESTING IN TODAY'S INNOVATORS AND BUILDING TOMORROW'S ECONOMY

As the key catalyst for the development of a robust innovation economy in Indiana, the 21 Fund invests in market-changing technologies that have the potential to create high-tech, high-skill jobs for Hoosiers.

Since January 2006, the 21 Fund has:

- Made 55 investments totaling \$70 million in market-changing products
- · Created hundreds of new high-wage jobs with the potential to create thousands more
- Assisted those entrepreneurial companies with raising almost \$100 million of private funding
- Fostered a network of innovators in Indiana



HIRING ENTREPRENEURIAL TALENT

by KENT BURNS Owner, Simply Driven LLC

I'VE BEEN IN executive recruiting for more than eight years. I've seen the good, the bad and the ugly. In all honesty, it's mostly bad and ugly out here. Companies are very quick to tell me that people are the most important thing; employees are their most valuable resource; and they only want to hire the "cream of the crop." Although I am a bit jaded after so many years in the talent acquisition business, I still believe that those words are said in all sincerity by those who speak them. Unfortunately, talk is cheap, and despite their noble desires, some companies don't behave nobly when it comes to hiring talent.

If you're interested in really understanding how to recruit top-notch people, read on. Be forewarned, however, that I won't pull any punches, and you may be either unwilling or unable to implement everything I suggest. My job is to deliver the message. Beyond that, it's your business. You're the boss. You make the call.

The Employer/Employee Dynamic

The first step is to understand the current employment landscape. Nearly three decades of businesses reorganizing, getting leaner, and relocating operations to low-cost countries has left American businesses with little loyalty on either side of the paycheck. Candidates with a new job every two to three years are no longer considered job jumpers. Frequent moves are no longer an indicator of talent or employability. Stop avoiding these people. You will have this new free agent employee for a period of time, and (most likely) they'll move on. Thanks to the Internet, most employees are always looking for job opportunities, all the time. It's not personal, it's just business.

The Interview And Hiring Process

If you remember only one thing from this article, remember this: Move faster. I've made a lot of money recruiting. However, I'd be comfortably retired if I had commissions from all the deals I lost because my client companies dragged their feet, got in their own way, and lost candidates to other opportunities.



"There are not plenty of talented fish in the sea, and the best ones have lots of bait dangling in front of them."

Your company's hiring process is probably slow, inconsistent and subjective. There's probably little or no strategy employed in terms of the number of interviews, the type of interviews, and even who conducts them. Candidate interviews often are viewed as intrusions by busy managers. Your philosophy may be: "If they really want to work for us, they'll wait until we decide to move forward." Guess what? That philosophy results in losing winners and winning losers. Just stop it.

Talented candidates are valuable. Start selling your company early and often. Your interview process should resemble courting. Carefully select

Recruiting



who interfaces with prospective candidates. Give significant thought to creating a compelling value proposition for prospective candidates. The big question that must be answered is: "Why would a candidate who is happy, successful and fairly compensated leave a quality situation and come to work for us?"

The value proposition is the single most underdeveloped element of the interview process. Companies don't put in the time and effort to develop powerful messaging and then deliver it to prospective employees consistently throughout the organization. Company messages are usually some baloney like: "Well Ms. Doe, the reason you should come to work for us at ABC Company is our people. I swear they're the best group of folks I've ever worked with." Please. Would you buy from a salesman with that line?

Job Boards

We have entered an era of diminishing returns from the job boards. There are not plenty of talented fish in the sea, and the best ones have lots of bait dangling in front of them. Most company representatives lament to me that all their ads do is pull a bunch of bad resumes that take tons of time to review. The net result is that staff time is wasted, and the job remains open.

Consider moving to a relationship-based model of candidate sourcing. Best practice organizations now source continually, building sustained relationships with top performers as they identify them. By leveraging technology, it's possible to ping potential candidates regularly with content that is relevant and interesting. When job openings arise, you're positioned to reach out to the right people - saving time and money.

Manage Data Better

Human resources departments are overwhelmed with resume traffic. They've got too many open searches. They're running ads in newspapers, posting to multiple job boards, managing an employee referral program,

Go digital and save money.

Put your annual report, directory or any publication online exactly as it appears in print. Readers can search and activate email and web links.

Contact Matt Maynard at 317.634.6200 ext 357 or mmaynard@ibj.com



RECRUITING

and sometimes engaging in direct solicitation of potential candidates. Most human resource officers don't have a human resources information system to manage the data. Add to that a lack of specialized knowledge in various functional areas and conflicting priorities that take away from staffing, and you have a recipe for inferior results.

You should plan on leveraging state-of-the-art tools to manage human resource data. Objective talent quality filters and using validated assessments and data management solutions will ease the burden of the swamped human resource representative and hiring manager. Start using statistically validated Web-based testing solutions to demystify personality and character traits, leadership competencies, and the formerly elusive "job fit."

Partner With An Expert

The war for talent is too intense to win consistently without some help from experts. Stop trying to do everything yourself in the areas of sourcing and vetting. Career opportunities Web pages place success in the hands of candidates who must first choose to visit the site and then must choose to apply. Vetting is subjective and ineffective and doesn't utilize statistically validated criteria.

Establish partnerships with best of breed experts in the areas of sourcing, assessment, on-boarding and development. Talent is scarce and must be hunted. Hunting talent is labor intensive and is not the core competency for most companies.

Find sourcing partners and make them your advocates in the

marketplace. Trust them to deliver the same messages and value propositions that you deliver in the interview process. Their job is to get that message in front of as many talented individuals as possible. Those same partners also act as "agents" for large, loyal rosters of premium candidates, especially those not actively "looking."

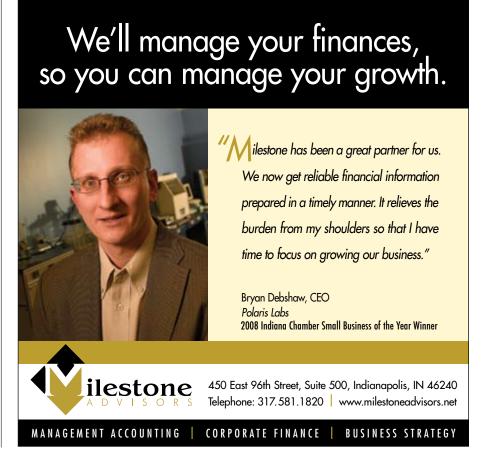
Summary

How can you hire entrepreneurial talent? The first step is to get out of denial and recognize that the game has changed. Then focus attention on these things: Develop your value proposition, retool your hiring process, and get a third-party critique to avoid group-think. Keep a focus on selecting and hiring from a small pool of carefully vetted candidates. Don't return to the disastrous "warm body" hiring of the 1990s. Be decisive, and make adjustments as needed.

Talent flow is the lifeblood of all business. Companies who don't understand this are headed for mediocrity at best, failure at worst.

"Candidates with a new job every two to three years are no longer considered job jumpers."







Dr. Robert L. Karlinsey

Chief Scientific Officer, Indiana Nanotech LLC

WHY IS THIS A GOOD TIME TO BE AN ENTREPRENEUR IN INDIANA?

Indiana has significant resources in terms of highly successful and knowledgeable investors, as well as prominent multinational companies bearing significant influence in global markets such as information technology, automotive, manufacturing, agriculture, medicine, biotech and pharmaceuticals. Ready access to a diverse portfolio of innovative and potentially high-impact technologies generated from university research within Indiana further deepens the technology pool. State initiatives are also encouraging entrepreneurship, especially through the Indiana Economic Development Corporation, which has poured significant effort into programs such as BioCrossroads and the 21st Century Research and Technology Fund, the latter of which manifests distinct funding mechanisms pertaining to the various stages of product development. I believe there is great opportunity in Indiana to invent or discover a promising technology, find and secure various levels of funding to develop the technology, and then to either learn from or partner with major industry players to enable commercial realization of the technology.

WHAT UNIQUE PRODUCT ARE YOU DEVELOPING AND WHAT IMPACT COULD IT HAVE ON THE MARKETPLACE?

Dental decay, such as cavities and hypersensitivity, affects over five billion people worldwide. By employing a solid-state synthetic strategy, Indiana Nanotech has invented patent-pending forms of fluoride-compatible calcium minerals that are modified specifically to better repair and protect weak spots in decayed teeth relative to fluoride alone. Currently we are evaluating their performance using FDA, ADA, and scholar-accepted dental testing models. We expect innovative multi-mineral formulations containing our technology will increase therapeutic efficacy and in turn have an evolutionary and revolutionary impact on the professional and over-the-counter dental product market segments, which largely comprise the \$17+ billion global dental market.



Indiana University provides ideal conditions for cultivating entrepreneurs. Top-ranked entrepreneurship programs and flourishing business incubators at IU are yielding startups in high-tech and high-growth fields. And new jobs for Hoosiers are cropping up all over Indiana.

Entrepreneurs will grow Indiana's economy in the 21st century. Indiana University is leading the field.

INNOVATE INDIANA



INVESTMENTS CAN GO WRONG IN A THOUSAND DIFFERENT WAYS. YOU NEED LAWERM THAT KNOWS THE THOUSAN AND FIRST.

As you're undoubtedly aware, private equity and venture capital funds need guidance not only during the critical formation stage, but throughout the entire life of the fund. Accordingly, we assist with every issue you might face—fund structuring; SEC, SBIC, and ERISA regulatory matters; federal and state income issues; investments and acquisitions; capital calls; defaulting partners or members; lines of credit; transfers of interests; in-kind distributions; liquidations of portfolio company investments; and valuation policy formulation—as well as with general fund management, compensation, and dissolution matters. For further information, visit us at www.icemiller.com.



CUSTOMER SATISFACTION

by STEVEN F. WALKER President and CEO, Walker Information CHRISTOPHER D. WOOLARD Senior Consultant, Walker Information

KEEPING THE CUSTOMER SATISFIED:

THE POWER OF **PERSPECTIVE**

"By measuring loyalty across multiple customers, you can predict how they are going to behave."

WE HAVE SPENT most of our careers trying to understand how customer satisfaction and loyalty impacts business results. Our work stems from working with hundreds of companies from Fortune 50 to entrepreneurial high-growth companies. Our findings and knowledge about how the customer impacts business performance continues to grow with each client engagement and each year that passes. Clearly, there are key patterns that can benefit almost any company in very significant ways.

Let's begin with the premise that, in order to have a sustainable business, you must be able to satisfy customers. As the old adage goes, nothing happens in a business until somebody makes a sale. That could not be truer. If a company doesn't have any customers, it really doesn't have a business. If there are no customers, there are no jobs for employees, no capital for expansion reinvestment, and no rewards or dividends for the shareholders.

Our work is not about how to keep customers satisfied, but to understand how satisfying and, ultimately, delighting customers can have a dramatic impact on business performance. We prefer the term "loyalty," and some discussion about how we would differentiate between loyal customers and satisfied customers is warranted.

Customer Satisfaction Or Customer Loyalty?

In attempting to draw conclusions about how customer behavior impacts business results, we want to look deeper than just satisfaction. We typically don't discuss our most important personal relationships in terms of satisfaction. We talk about things like love, commitment, and not wanting to replace these relationships. While these types of concepts are not typically used in the business world, this is precisely what we are striving to achieve with our customer relationships - a strong emotional attachment where there is a sense of commitment and an intention to



behave in positive ways. We know that measurements of loyalty, which include stronger attitude and intentions of behavior, correlate much more positively with the things we would be looking at our customers to do - things such as continue to buy more and recommend a product or service to a friend or business associate.

By measuring loyalty across multiple customers, you can predict how they are going to behave. This includes such activities as continuing to buy from you, recommending you to others, increasing purchases, and so forth, in the future. This is no different than a doctor taking a blood screening from a sample of patients and understanding who is at risk for certain types of diseases, or an insurance actuary who records life expectancy across a large group. By systematically measuring customer loyalty, you no longer have to wait until a customer leaves before you find out they are unhappy. You can actually predict who might leave and then decide if you should take preventative action and what action to take.

While the measurement is beneficial, the real implications for the businessperson are in taking action around the loyalty metrics to derive more positive levels of loyalty from their customers.

A Lesson For The Entrepreneur

Many entrepreneurs grow their business based on sweat equity and a passion that comes through to all of their key customers. At a certain

CUSTOMER SATISFACTION

"In the end, we really can't use our customer satisfaction or loyalty to make us feel good about how we are doing."

point, the entrepreneur needs to create a management structure, as it becomes physically and intellectually impossible for one person to keep all the key customer information inside their head. This is precisely why customer satisfaction and loyalty has been popular as a management practice over the last several decades. Producing valid, actionable customer information to large numbers of employees increases the chances that the organization can meet and exceed customers' wants, needs and expectations.

If you think back to colonial times, a shopkeeper in a village would know all of his customers by name and what their preferences and needs were. In this respect, each customer got a very tailored experience and the merchant was a key part of the community - valued and appreciated. On a large scale with global customers, rapidly expanding technology and increasing competition makes it virtually impossible for the entrepreneur to keep this kind of information in his head.



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CUSTOMER SATISFACTION

A Call To Action

Many entrepreneurs assume they have good customer loyalty until a significant event or intervention occurs. Examples include a long-time customer who is suddenly entertaining a request for proposal, a verbal deal that went the other way, or the customer who stops calling for no reason and fades away. These sorts of events often serve as a wake-up call for the organization to use a more systematic method of understanding how they satisfy their customers.

Several years ago, a company that had changed its leadership asked us to evaluate its customer base. As we were presenting the not-verypositive results, one of the long-time managers got more and more frustrated as we presented their results. Finally exasperated, the executive slammed his hand down on the table and said, "Our customers just don't know how happy they are." The room remained silent until all of the executives started looking at each other and burst out in laughter at the ridiculousness of the statement.

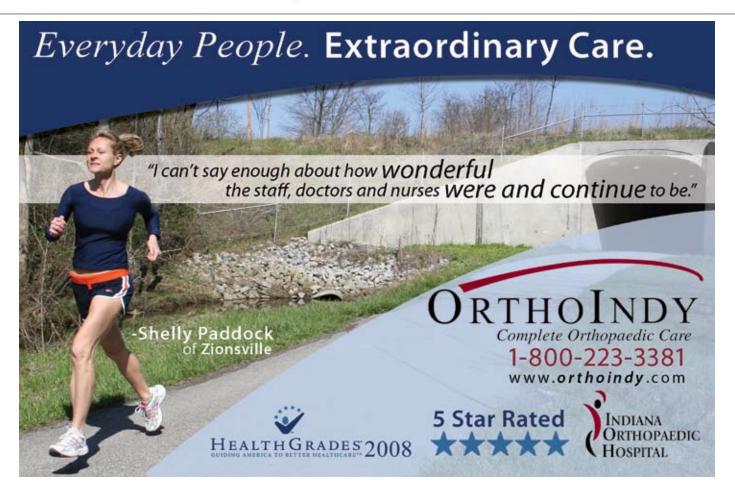
It's about knowing the truth. In the end, we really can't use our customer satisfaction or loyalty to make us feel good about how we are doing. We really need to be on a search for the truth and be looking for insights that customers can give us to make our business better and more sustainable.

After many years of work in this field, we have come to several conclusions about customer-focused companies:

· Customers can tell you the majority of what you need to know to run your business better. They can't tell you what products or

- services to offer, but they can tell you what you do well, how they feel about you, and what problems they have with your products and services.
- Ninety percent of strategy is execution. This is where the entrepreneur has a big advantage over the big company. If an organization gets really good at listening to its customers and then acts on those results in a quick fashion, we guarantee the company will be rewarded by the marketplace.
- Customer information is not a silo or a department. It should be pervasive throughout the organization and be taken into consideration in all aspects of running the business.
- Customer information collected is acted upon and its business impact is measured. The information should not be collected and then sit on a shelf until it is time to collect the information again. The information should permeate throughout the organization and be used to answer specific business questions and drive specific business initiatives.
- Truly customer-focused companies must also focus on its employees. Without happy, productive employees, no customer satisfaction or loyalty initiative will be successful.

We continue to be quite excited about the opportunities for helping companies improve their business through greater customer focus. Not only is this a good business strategy, but it is truly something that helps everyone involved get better results and more of a win/win outcome.





Doug **Traster**

President, Precise Path Robotics Inc.

WHY IS THIS A GOOD TIME TO BE AN ENTREPRENEUR IN INDIANA?

The business climate in Indiana has never been better. Business support programs such as the Venture Capital Investment tax credit and 21st Century Research and Technology Fund have motivated entrepreneurs all over the state to bring their best and brightest ideas to fruition. From the commercialization programs at our academic institutions to "garage shop" entrepreneurs, there has been a sea change in the level of innovative activity taking place in our state. We've attracted venture capital from around the world, retained our most talented college graduates, and generated a technological intensity not seen since the halcyon automobile days of the early 20th century.

WHAT UNIQUE PRODUCT ARE YOU **DEVELOPING AND WHAT IMPACT COULD IT HAVE ON THE MARKETPLACE?**

The implementation of factory automation over the last 40 years has improved productivity by producing more goods at a lower cost and making them more affordable. Outdoor activities, however, have not benefited from this automation trend. Increasing labor costs hamper the affordability of outdoor activities such as golf. Precise Path Robotics intends to reverse this trend by developing mobile robots that can move freely through outdoor spaces with great precision and perform labor-intensive tasks at a fraction of today's cost. Our first commercial product, a robotic greens mower, not only reduces the cost of maintaining golf courses, but provides precision and consistency beyond human capability. Automation of other golf course activities - such as spraying, bunker grooming, leaf removal, fairway mowing, trimming and spot watering - will follow. Similar capabilities will be extended to sports fields, parks, commercial facilities, airports and residential yards.



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WHAT EVERY HIGH-GROWTH **COMPANY SHOULD KNOW ABOUT MANAGING HEALTH CARE COSTS**

by DR. JULIE A. MEEK Founder and former CEO, The Haelan™ Group

QUICK, BEFORE YOU read this, grab a bottle of antacid! As an entrepreneur working to balance the need for working capital against the realities of attracting human capital, the following items should heighten your anxiety:

- Health care costs continue to grow. Per capita health care costs grew at a 6 percent annual average from 1991-2004. In 2005, the last complete year of data, health care costs totaled \$4,042 for employeeonly coverage and \$10,678 for family coverage in Indiana, which is slightly higher than the national average.
- Employees most in need drive health care costs. Ten percent of your covered employees and their dependents account for 70 to 80 percent of employer health care costs each year. But challenge creates opportunity, so read on!
- We're a stressed-out bunch. Heart conditions, trauma, cancer and mental disorders (including depression) now top the list as the highest cost conditions. The top 10 most costly conditions account for about 49 percent of total health spending in the United States, with 18.8 percent paid by individuals and 41.6 percent coming from employer-sponsored insurance, according to the Agency for Health Care Research and Quality.

Don't despair. As an entrepreneur who successfully grew a company from three to 60 employees - and as a seasoned health management industry veteran - I will tell you that health care costs can be managed at or near the cost of inflation.



It is possible. There are a growing number of companies that do what it takes to get there and manage employee health care costs. I polled three respected colleagues and a fastgrowth Indiana entrepreneur for their insights into holding the line on health care costs. Together, we came up with five important steps you can take to provide insurance for your employees while protecting the working capital that fuels your company's growth.

Start With A Strategic Versus Tactical Mindset

Health-related costs - including absence, lost productivity, disability, worker's compensation and health claims - generally represent a company's second- or third-largest budget item. Yet most corporate leaders approach this challenge with poorly validated

tactics as opposed to data-driven strategic planning.

Dina Van Cleave, director of Health Risk Management for Scott Benefit Services, agrees. Her experience helping companies get their costs in line confirms that corporate leaders must embrace health and productivity as a key corporate value. Van Cleave says it's an "absolute necessity to include a proven, validated, aggressive health risk management strategy that is part of the strategic plan and business operations."

Help Employees Be Part Of The Solution

Most employees don't understand how their choices affect their health and the resulting cost of health care; how the group's cost experience af-

HEALTH CARE

"I will tell you that health care costs can be managed at or near the cost of inflation."

fects the next year's insurance renewal rates; or how premium increases force business leaders to choose how to cover rate hikes. All too often, poor health choices mean higher rates, lower benefits, more employee costs, and less money for employee pay. Employees need to understand that being a part of the solution directly benefits them.

Indianapolis-based Deb Persic, senior associate for Mercer, a leading benefits consulting firm, affirms this. "Most employees believe that the amount subtracted from their weekly or bi-weekly paycheck represents the total cost of the plan. Communicating the total cost of the plan and demonstrating that this is the first or second company budget item opens the door to gain employee support for their role in the solution."

So use your company's communication channels to inform workers. Be very specific about steps employees can take to control costs such as using a primary care doctor, learning how to access reliable health information, and learning how to order medication to achieve the most cost savings.

Provide Key Wellness Program Elements And Incent Employees To Participate

Voluntary wellness programs without incentives do not work. They classically attract the already healthy. Three recent innovations fix this problem:

First, the U.S. Department of Labor in 2007 granted exceptions to prior federal restrictions and gave employers the latitude to offer financial incentives up to 20 percent of the cost of covering an employee for meeting "participation-type" goals, such as completing a health assessment or screening. In my experience, a wellness program incentive must be at least \$15 to \$25 per month in reduced premiums to garner a 60 to 80 percent participation rate. In all cases, it is wise when designing your incentive to vet your final design with your legal counsel.

Second, the most important innovation over the last decade has been predictive modeling. This is a key element of any wellness initiative. Through predictive modeling, health management companies can find and confidentially help the 10 percent of your employees who are likely to become 70 to 80 percent of your health care costs. Be sure to shop for a true predictive modeling tool - one that has been validated to find at least two-thirds of the future high-cost group and that doesn't use simple rules or stratification techniques.

Third, since 2007, the state of Indiana has sponsored a Certified Wellness Program tax credit for companies with two to 100 employees. This program entitles employers to a 50 percent tax credit, retroactive to January 1, 2007, for costs incurred during the taxable year for providing a qualified wellness program. You can find out more at www.in.gov/isdh/programs/wellness/index.htm.

Leave It To A Professional **To Design Your Benefit Plan**

Employers need to rely on a trusted, experienced broker or consultant to lead them to the best priced health care plans. Pick a professional with the same level of diligence that you used to select other key business advisors by asking candidates tough questions:

- What are your credentials and experience level?
- How has your book of business performed in terms of controlling health care cost trends versus national benchmarks?
- How is our company's plan performing against local, regional and national benchmarks?

David Lindsey, CEO of Defender Direct Inc., a fast-growing Indiana company, recommends considering Professional Employment Organizations (PEO) as a possible solution. Under a PEO, the risk of many small employers is pooled to attain the risk-sharing, negotiating power, and often self-funding effect of a much larger employer.

Lindsey cautions that you need to evaluate PEOs carefully and review their financials and health trends to be sure you're joining a well-managed benefit pool. He also suggests that if entrepreneurs can't afford cost-sharing on health benefits, they should consider other forms of employee compensation, including more vacation, flex time, trips and fun corporate events. Often these are less expensive but more valuable to younger employees.

Many employers have not considered Health Reimbursement Accounts (HRA) or Health Savings Account (HSA) plans because they require planning and considerable communication. However, according to Persic and the 2007 Mercer National Survey of Employer Sponsored Health Plans, more employers are adopting these plans to save on health care costs. The premise is that employees using them begin to understand that greater employee participation in the cost of health care is necessary to control employee contributions and employer costs. According to the Mercer survey, the average annual cost for health insurance (PPO) in Indiana is \$7,352; for CDHP plans it is \$5,970 (HSA).

Create A Great Place To Work

Mike F. Campbell, managing partner of employee benefits for Neace Lukens and president of the Wellness Council of Indiana says, "If in fact the employee population is made up of frustrated individuals, the impact will be grave in terms of absenteeism, employee attraction and retention, productivity, and certainly not least of all health care costs. To heal the culture first is critical to the success of any health, wellness and productivity approach."

My experience with hundreds of companies mirrors that voiced by Campbell. I can sit in a new client's lobby for 10 minutes and tell you the level of their company's health care cost experience. If you want lower costs, you've got to focus on creating a health-enhancing place to work.

Healthy companies start with a strategic approach to health management. As an entrepreneur and business leader, you must lead with integrity, learn to delegate and reward, and support the mind, body and spirit dimensions of health.

GUY KAWASAKI'S 10 TIPS FOR SUCCESS:

THE ART OF INNOVATION

by JEFF HEINZMANN Director, Indiana Small Business Development Centers

GUY KAWASAKI, MANAGING director of Garage Technology Ventures - an early-stage venture capital firm - and a columnist for Entrepreneur Magazine, recently provided Indiana entrepreneurs and business owners with a presentation entitled "The Art of Innovation," which outlines steps that companies can take to maximize brand, increase profits, and generate top-of-mind relationships with customers.

Kawasaki made his presentation at the Indiana Venture Club's lunch during Indiana Innovation & Entrepreneurship Day, held at the Indiana Convention Center in Indianapolis. More than 1,000 of Indiana's leading entrepreneurs attended the day's events.

Kawasaki's nationally renowned "Art of Innovation" presentation is comprised of 10 key business points.

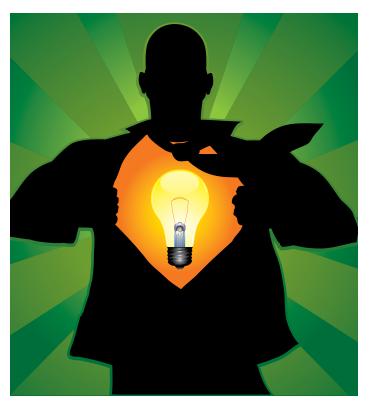
The first is to "make meaning" by providing a personal connection of the product to its market. "If you make meaning, you'll make money," Kawasaki notes. As an example, he cites Nike's move to market to women, especially the company's messages focused on empowering female consumers as individuals who should be measured based upon who they are rather than things they cannot control.

The charge to "make mantra" was second, challenging entrepreneurs to reduce their message to its essence. Kawasaki's examples include "healthy fast food" (Wendy's), "authentic athletic performance" (Nike), "peace of mind" (FedEx), and "democratize commerce" (eBay). Kawasaki urges business owners to summarize the meaning you are going to make.

Third is to "jump to the next curve" by realizing that true innovation is more than mere improvement but is instead a breakthrough to a whole new way of looking at or moving beyond the challenges and products of today.

"Don't just do things 10 percent better on the same curve," he said. "You need to do things 10 times better on the next curve." In making that jump, Kawasaki challenges entrepreneurs to be DICEE: deep, intelligent, complete, elegant and emotive.

"Don't wait for this perfect world where chips are cheap enough and things are fast enough and everything's perfect, because you'll never ship," he said. "You need to get it out."



A willingness to take risks illustrates his fifth point: "Don't worry, be crappy." Instead, Kawasaki says to "churn, baby, churn." Take version 1.0 to 2.0 and so on.

Along with that risk is the acknowledgement that the entrepreneur must be willing to "polarize people" by recognizing that moving beyond the way things have always been is a necessary part of the innovative process. At those times, you must be able to part ways with those who cannot let go of the present.

The need to keep a broad vision and an open mind is at the heart of another point: "Let a hundred flowers bloom." The innovator must be open to other influences and let the customer lead the product in the direction the market wants it to go. His example was Apple's adoption of PageMaker, which changed the future of the brand by putting it at the forefront of desktop publishing.

Next, entrepreneurs must find a niche where they have a strong ability to provide a unique product or service that is of high value to the customer.

Finally, Kawasaki encourages entrepreneurs to stick with it. "Don't let the bozos grind you down. Because they're going to tell you it can't be done, it shouldn't be done, it isn't necessary," he said. The bozos are not always easy to spot. "It's the smart bozo that's the dangerous bozo."

The bozos won't always be wrong, but: "If you listen to that bozo and never try, you'll never know and for sure; you'll never succeed."

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